Travis & Arnold

FINANCIAL TIMES

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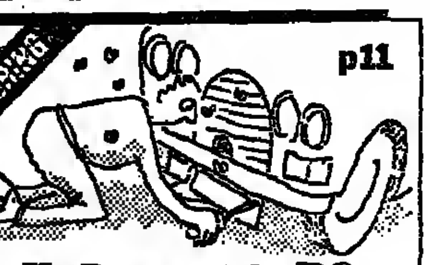


WORLD NEWS

Disruption spreads to more ports

Industrial action was stepped up in the ports as talks continued to find a settlement to the national dock strike. Felixstowe dockers voted to strike from midnight, while those at Dover plan action from Monday.

The Seamen's union also banned from midnight the handling of all freight traffic on Sealink ships over Government plans to privatise the line.

Hopes of a dock strike settlement rose when British Steel reached local agreement on the use of non-registered labour at its Immingham terminal, from where the strike originally spread. Back Page

New MacGregor letter

Coal Board chairman Ian MacGregor is to write again to miners urging them to accept a settlement on terms already put to the NUM leadership. Back Page

Reshuffle 'to be limited'

The expected autumn Cabinet reshuffle will be as limited as possible, it was stressed in Downing Street. Page 4

KOR trial opens

Four members of Poland's KOR dissident group went on trial accused of plotting to overthrow the state. Page 2

Kuwait buys Soviet arms

Kuwait concluded a £242m arms deal with the Soviet Union, having been rebuffed by the U.S. in its efforts to buy Stinger missiles. Page 2

Rapist attacks three

An armed man raped a young woman and sexually assaulted her brother and boyfriend in Edlesborough, Bedfordshire, despite a big police presence in the area after similar attacks.

Lebanon fighting grows

Fighting and shelling intensified in the northern Lebanese province of Koura as rival militias battled for control of the region.

Water curbs 'inevitable'

Despite recent rainfall, water rationing is stil inevitable in many parts of the country, local water authorities say. Pay 3; Weather, Back Page

Last sitting

South Africa's all-white parliament sat for the last time. Indian and "coured" representatives join a multi-racial, but segregated, assemby in September.

Paris metro blast

A bottle of nitric acid exploded at the Concorde metro station in Paris injuring 19 people, six seriously. Police believe it was an accident.

West Indies reply

The West Indies were 239-7 in reply to England's 270 in the third Test. Gomes was 79 not out.

Poll of directors

Monday's FT features a Marplan poll of senior company directors' ettitudes to recent interest rate and sterling movements, the miners' strike and the law, and confidence in the Government.

Financial Times

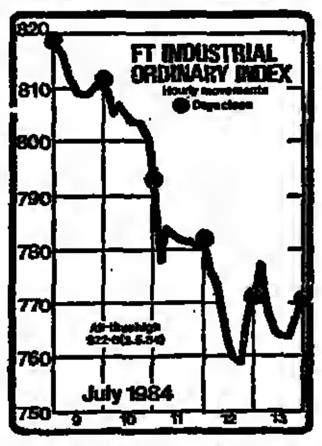
Production difficulties may have resulted in typographical errors in today's paper, for which we apologise.

BUSINESS SUMMARY

Inflation in U.S. stays moderate

U.S. ECONOMIC indicators suggest inflation remains moderate while the economy continues robust expansion. President Reagan welcomed the report that wholesale prices in June were unchanged from May while industrial production grew 0.5 per cent.

EQUITIES: FT Industrial Ordinary index closed 0.4 down at 770.7 after a better trend in sterling and a more hopeful outlook on the docks dispute had introduced a calmer note. The index finished 48.6 down on the week's trading. Page 22



ICL ended an agreement to market Atlas IO computers produced by Fujitsu of Japan in the UK. Page 3

ROYAL NAVY is planning a £1bn programme to modernise mine warfare capability over the next 10-15 years. Page 3

SWEDEN made a record trade surplus of SKr13.8bn (£1.3bn) in the first six months of 1984, nearly 50 per cent higher than in the corresponding period last year. Page 2

BRAZIL'S strong trade performance led the Government to revise upwards its estimates of end-of-year foreign exchange reserves and current account deficit. Page 2

WEST GERMANY, Belgium and France are to study plans for a high-speed railway to link Cologne, Brussels and Paris! Page 2

SWISS Government agreed in principle to grant legal assistance in connection with U.S. investigations into alleged tax evasion by commodities group Marc Rich.

RUPERT MURDOCH admitted he had discussed with banks a possible partial tender offer for St Regis. The Australian publisher acquired a 5.6 per cent stake in the U.S. paper and forest products group earlier this month. Page 19

TAIWAN'S cabinet approved a joint venture between three State-owned organisations and American Telephone and Telegraph to produce digital telecommunications switches. Page 19

IBM, U.S. computer manufacturer, raised second-quarter net profits by 21 per cent to $1.62bn (£1.2bn). Page 19

LONDON & Overseas Freighters, tanker group, announced a £8.6m rights issue to provide sufficient liquidity for two years. Page 18

GROUP LOTUS made pre-tax profits of £275,000 for 1983 against a loss of £2.14m on sales up from £9.4m to £12.8m. Page 18

LENNONS GROUP of Mersey-based supermarkets increased pre tax profits to £1.17m for the year to March 31 compared with £542,000. Page 18

Mortgage rise hits inflation rate hopes

BY MARGARET HUGHES

BUILDING SOCIETIES are being recommended to increase their mortgage rates by 2½ percentage points to 12½ per cent, the biggest increase for nearly five years and the second largest ever.

The increase will add about 0.8 per cent to the August retail price index, and means that the Government's hopes that the inflation rate would be down to 4.5 per cent by the end of the year are fading.

A week ago, before the interest rate increases, the Treasury was confident that its Budget forecast of 4½ per cent inflation by the year-nd would b met. Figures for June published yesterday, which showed inflation steady at 5.1 per cent, suggest that underlying inflationary pressure remains weak.

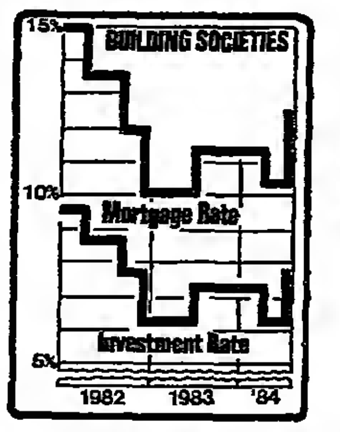
The Government's hope is that interest rates will fall again in a few months' time, which could still allow the 4.5 per cent inflation target to be met.

Yesterday's recommendation from the Building Societies Association will bring mortgage rates to their highest level since March 1982, when they hit 13½ per cent. In real terms, after inflation, they will be a record.

The recommended ordinary share rate for investors is being raised from 6.25 per cent net to 7.75 per cent, equivalent to 11.07 per cent for a standard-rate taxpayer.

The new mortgage rate will apply to all new borrowers immediately, and to most existing borrowers from August 1, when the new investment rates also come into effect.

Lloyds Bank quickly followed the Building Societies Association announcement with a decision to increase its mortgage rate by 2½ per centage points to 12.75 per cent for both new and existing borrowers with effect from next Monday.



Other banks deferred their decisions until next week.

Mr Herbert Walden, chairman of the association, said that though the increase was a "direct consequence" of developments in financial markets, the association had "not considered it reasonable" in the short term to impose the full effect of the increase in market rates on existing borrowers.

The association's council had therefore "done its best" to keep the rise to "the absolute minimum," even though that might lead to reappearance of mortgage queues.

The average mortgage, £20,000, will now cost £20.60 a month more, bringing the monthly repayment up to £166.40 for borrowers charged he basic advised rate.

In practice all but two societies charge more for mortgages of £20,000 and over.

HOW REPAYMENTS COULD CHANGE

Loan (£)	Extra charge for larger loans	Repayment (3) 10.25%	Repayment (3) 12.5%
17,650 (1)	nil	128.21	146.72
20,000 (2)	nil	145.28	166.26
30,000	+1%	224.76	256.59
40,000	+1¼%	343.12	392.45
50,000	+1½%	447.53	513.70

(1) Average mortgage for a first-time buyer.
(2) Average mortgage.
(3) Net repayment after tax relief for basic rate taxpayer; no tax relief for loans over £30,000.

Source: Halifax Building Society

Some 60 per cent of new mortgages are now endowment mortgages, on which most societies charge an extra ½ percentage point interest.

The five major societies, which account for 56 per cent of the market, will not decide their new rates, until board meetings due in the next week or so.

There is expecte dto be some widening in the variation of rates between them, with possibly some changes in their differential structures.

The rise in interest rates is better news for investors. The bulk of funds flowing into societies is now deposited in their high-premium accounts, which pay a minimu of 1 per centage point above the ordinary share rate.

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Inflation rate steady; First-time buyers hit, Page 3
Cabinet reshuffl to be limited, Page 4
Mortgage changes, Page 8
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Recovery slows in manufacturing

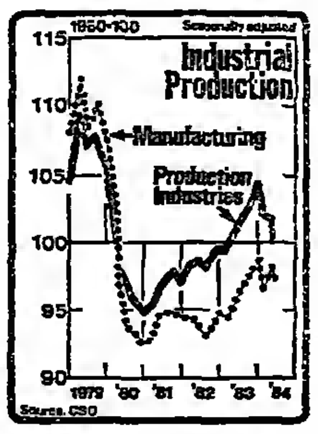
BY MAX WILKINSON, ECONOMICS CORRESPONDENT

EVIDENCE THAT the recovery of manufacturing industry has run out of steam was published by the Central Statistical Office yesterday.

Its latest industrial output figures showed that manufacturing production failed to achieve any growth in the three months to May compared with the pervious three months.

Manufacturing output in May was 1 per cent lower than in April and had fallen back to the level recorded for February. The sharp fall in April reflects a reduction in steel output resulting from a change of holiday patterns. It could be reversed in June.

More worrying for the Government is that manufacturing output in the first five months of this year was less thna ½ per cent higher than the final quarter of 1983. This seems to show a serious loss of momentum, although manufacturing output in the latest three months was 3½ per cent higher than the average for last year.



This stagnation cannot be explained by the effect of the coal strike, which has had little direct impact on manufacturing companies.

The CSO figures show that in the latest three months, output of consumer goods rose by less than ½ per cent compared with the previous thre months, while output of machinery for capital investment fell by ¾ per cent.

The fall in the production of investment goods may reflect the fact that the National Coal Board has almost halted investment, but even so the figure is disappointing.

The Treasury has forecast that rising investment this year would help to keep up the momentum of economic recovery as the growth in consumer spending slows down.

Continued on Back Page

Midland to buy full control of Crocker

BY DAVID LASCELLES

MIDLAND BANK is to buy full control of Crocker National Corporation, the troubled California bank of which it owns 57 per ceot.

Midland said it proposed to buy out the minority stock in a paper transaction worth about $207m (£159m). Added to the $825m Midland has already spent on Crocker, this will give the deal a value of over $1bn, making it by far the costliest bank acquisition ever.

Mr Geoffrey Taylor, Midland group chief executive, said: "The move underlines our commitment to integrate Crocker into the Midland group more effectively." Crocker shareholders would be offered new stock with a higher value and dividend than their Crocker shares.

In exchange for each Crocker share, which traded at $18.50 before the announcement, they will get $25 of preferred stock. For tax and technical reasons the stock will still be Crocker's rather than Midland's. The stock would have a total value of $207m but Midland warned that it might trade below par because of the U.S. bank's uncertain earnings outlook.

The deal will have to be approved by the Crocker board because Midland's original investment agreement prevents it from raising its stake in the bank until next year. This agreement should be forthcoming.

Midland's shareholders will also have to agree, as will Crocker shareholders, whose resentment at Midland's handling of the bank runs deep. Midland's offer compares with the average $67 it paid for the rest of Crocker.

The move by Midland, Britain's third largest bank, ends months of uncertainty over its intentions with Crocker.

Since 1981, Crocker has presented Midland with $55m in cumulative losses because of its heavy exposure to the troubled California real estate market. The bank also has a large loan commitment to Latin America. However, after showing losses of $178m over the last six months, Crocker is expected to announce a small profit in its second-quarter results next Tuesday.

Midland has been expected to take advantage of Crocker's weak share price to buy out the minority, though Mr Michael ulien, the group finance director, denied last night that the move was "opporunist."

He said many things had dictated the timing, including the feeling that the relationship had become more "comfartable" since Midland installed new management earlier this year.

The deal has been structured to save Midland cash, and will not weaken its balance sheet at a time when Crocker and tax changes in the UK Budget have put its finances under strain.

Lex, Back Page

BA may lose some routes to independents

By Michael Donne, Aerospace Correspondent

THE TRANSFER of some air routes from state-owned British Airways tothe independent airlines, notably British Caledonian is likely to be urged by the Civil Aviation Authority in its long-awaited policy review.

The authority is also expected to recommend some de-regulation of domestic air routes and to call on the Government to press foreign governments to allow more "dual designation" —two UK airlines flying in competition on foreign air routes—or seek other ways of improving competition on those routes.

The authority has been working on the review since late last year. Its report is due to be presented to Mr Nicholas Ridley, Secretary for Transport, early next week, probably on Monday.

Mr Ridley is not expected to announce his decisions for some time.

It is widely expected in the domestic airline industry yesterday that the report would accept many of the arguments of the publicity campaign for some route realocations to the independent airlines.

The authority's recommendations have been kept secret from all but a few top officials in the authority and in the Department of Transport. But they are not believed in the airline industry to differ widely from the draft suggestions originally presented in a second consultation paper, published in April.

The authority then made it clear that it leaned, towards some reallocation of routes from BA to the private sector, but it was careful not to be precise.

"If it were possible to wipe the slate clean, the structure of the UK civil air transport industry would undoubtedly look very different," it said. It suggested that current "competitive imbalances" in route structures would not exist.

"There was a prima facie case in principle for moderating the present imbalances within the British airline industry, preferably in ways that will allow for a greater degree of competition, or at least for increasing the opportunities available to British airlines, other than British Airways."

The authority is also expected

Continued on Back Page

Maxwell declares war on Sun and loyalty to Labour

BY SUE CAMERON AND IVOR OWEN

MR ROBERT MAXWELL, Fleet Street's newest baron, took over Mirror Group Newspapers yesterday and promptly declared war on Mr Rupert Murdoch's tabloid daily, The Sun.

"If Rupert Murdoch smashes down his cover price by 2p then I'll cut the price of the Mirror by 3p," said Mr Maxwell whose £113.4m bid for MGN had been accepted finally by Reed International at midnight on Thursday.

Mr Maxwell's Pergamon Press takeover of MGN was attacked in the Commons yesterday. In reply Mr Kenneth Baker, whose role as Minister of State, Trade and Industry, includes responsibility for newspapers, repeatedly stressed the takeover did not involve a concentration of newspaper ownership.

There had therefore been no question of the Government seeking to impose conditions before the deal could be completed.

Mr Baker said the future of the Mirror group was likely to be more secure now because of its association with a company able to command larger resour resources.

Mr Peter Shore, shadow trade and Industry spokesman, said the fact that a major newspaper group could pass into the hands of one man without any need to give guarantees about the future conduct of the business pointed to the need to strengthen the Fair Trading Act 1973.

Telephone calls

Mr Neil Kinnock, the Labour leader, who is believed to have had telephone talks with Mr Maxwell while negotiations over the MGN sale were continuing, gave reluctant support to the new proprietor, however.

Mr Kinnock said: "The history of single-proprietor ownership of newspapers in Britain is not a happy one. Mr Maxwell could be the exception that proves the rule. Many people will join me in hoping he will be."

Last night Mr Maxwell said his editors had all been told their newspapers must retain a broadly sympathetic approach to the Labour movement. He said MGN newspapers would continue to use their dedication andinventiveness to fight for the return of a Labour Government at the next election.

He said he intended to make the Daily Mirror more efficient and attractive so that it would win readers from other newspapers the policies of which were against the interests of the country.

The Czech-born Mr Maxwell went on to say that Mirror newspapers would have a Britain First policy. Their aim would be to inform, entertain and boost Britain. Morale in the country was low but "there is much in our country that is good and I want to find a voice," he said.

Evening paper

He confirmed he would be starting a new London evening newspaper in the autumn, as he had promised to do while still negotiating with Reed.

Mr Maxwell said he had had a very satisfactory meeting with fathers of chapels (shop stewards) at MGN yesterday. He had given a guarantee there would be no compulsory redundancies and he hoped to reach agreement with the unions on stopping the automatic replacement of those who retired or left MGN.

He said he had concluded a three-year agreement for MGN to continue printing Northern editions at the Thomson Group's Withy Grove works, Manchester.

Mr Clive Thornton, the former MGN chairman who resigned following Mr Maxwell's takeover, also recently negotiated a three-year deal with Thomson.

Thomson is planning to shut its Withy Grove works and MGN is believed to have a contractual responsibility to bear part of any redundancy costs.

Mr Maxwell, who presided over last night's press conference seated at the centre of a subdued looking group of MGN editors and managers, said he was proud to be associated with the Mirror group. He swore to dedicate himself to making Mirror newspapers more prosperous and more significant than they were already.

Maxwell's jubilation, Page 3

MARKETS

DOLLAR	STERLING
New York lunchtime: DM 2.8315, FFr 8.685, SwFr 2.4005, Y241.4	New York lunchtime: $1.3235
London: DM 2.8305 (2.848), FFr 8.705 (8.735), SwFr 2.399 (2.408), Y241.5 (242.6)	London: $1.3235 (1.307), DM 3.75 (3.7225), SwFr 3.18 (3.1475), FFr 11.4875 (11.415), Y319.5 (317.25)
Trade Weighted 136.1 (136.8)	Trade weighted 78.2 (77.7)
Tokyo close Y241.95	

U.S. LUNCHTIME RATES	LONDON MONEY
Fed Funds 10⅞%	3-month interbank: mid rate 12¼% (same)
3-month Treasury Bills: 9.92%	3-month eligible bills: buying rate 11$\frac{13}{32}$% (11$\frac{11}{16}$)
Long Bond: 101$\frac{1}{16}$ yield: 13.11	

GOLD	STOCK INDICES
New York: Comex July latest $343.2	FT Ind Ord 770.7 (−0.4)
London: $344.75 ($342)	FT-A All Share 466.49 (+0.3%)
	FT-SE 100 995.8 (+4.4)
	FT-A long gilt yield index: High coupon 11.24 (11.33)
	New York lunchtime: DJ Ind Av 1,107.55 (+2.98)
	Tokyo: Nikkei Dow 10,154.10 (−116.06)

Chief price changes yesterday, Back Page

CONTINENTAL SELLING PRICES: Austria Sch 18; Belgium Fr 38; Denmark Kr 7.25; France Fr 6.00; Germany DM 2.20; Italy L1,100; Netherlands Fl 2.50; Norway Kr 6.00; Portugal Esc 75; Spain Pta 100; Sweden Kr 8.50; Switzerland Fr 2.00; Eire 60p; Malta 30c.

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For London market and latest share index, 01-246 8026; overseas markets, 01-246 8086

Howe to visit Peking on Hong Kong

BY OUR FOREIGN STAFF

SIR GEOFFREY HOWE, the British Foreign Secretary, will visit Peking at the end of this month for talks with the Chinese leadership on the future of Hong Kong.

Details of the trip, which will include high-level discussions in Hong Kong itself, are expected to be announced tomorrow evening by Mr Richard Luce, Secretary of State for Foreign Affairs, when he reports on his own two days of discussions with Hong Kong political and business leaders.

Hong Kong and British officials said last night that Sir Geoffrey at the invitation of China, would be continuing his discussions with Chinese Foreign Minister Wu Xueqian and other Chinese leaders on "all aspects of Hong Kong's future as well as other international and bilateral issues."

Sir Geoffrey's trip, which would come shortly after the 19th round of secret Sino-British talks on the future of Hong Kong once China resumes sovereignty from Britain in 1997, is intended to "give the negotiations a shove," an official suggested in Hong Kong yesterday.

Sir Geoffrey is expected to arrive in Hong Kong on July 26 on his way to the Chinese capital, returning to the colony on July 31 for a one day visit.

British negotiators have been pressing for a detailed agreement, in contrast with the Chinese preference for a broadly defined agreement in principle. There has been growing concern on the British side that without fresh momentum, time is running out for a number of disagreements on detailed matters to be settled ahead of the September deadline the Chinese have set for settling the colony's future.

Prominent among these is the contested Chinese demand for a joint Sino-British group to oversee Hong Kong's 13-year transition into Chinese hands. At present, both sides have agreed to disagree on this proposal, which is seen by many in the colony as giving China de facto control long before 1997.

Mr Luce spent yesterday bringing members of Hong Kong's Executive and Legislative Council up to date with progress on the Sino-British talks and gauging their reaction. He said on arrival in the colony that Britain was "fully aware" of the strains that were being created by political uncertainty.

If anything, however, his hastily arranged visit served to aggravate uncertainty. On the local stock market, share prices fell to their lowest point for the year, with the Hang Seng index ending on Friday at 746.02, 77 points down on the week.

Kuwait buys arms from Soviet Union

By Our Foreign Staff

KUWAIT has signed a $327m (£242m) arms package with the Soviet Union, having been rebuffed by the U.S. in its efforts to buy Stinger surface-to-air anti-aircraft missiles.

No details were given of the deal arranged by Sheikh Salem al Sabah, the Kuwaiti Defence Minister, during a visit to Moscow, but Associated Press reports from Bahrain said the package includes surface-to-air missiles, surface-to-surface missiles, tanks and other types of military hardware. In all probability the surface-to-surface missiles are the sophisticated Frog 7s.

Kuwait is the only member of the six-country Gulf Co-operation Council (the other members are Bahrain, Saudi Arabia, Qatar, Oman and the United Arab Emirates) which has diplomatic relations with Moscow.

In Washington State Department officials indicated they were not surprised at the deal, since Kuwait has bought arms from the Soviet Union before.

Kuwait, with a 30-mile (48 kilometre) strip of Iraqi territory separating it from Iran, is the Gulf state most vulnerable to a spillover of the Iran-Iraq war.

Kuwait wanted the Stinger missile because of its effectiveness against low-flying air attacks. Saudi Arabia was allowed to purchase 400 of these, much to Kuwait's envy.

Despite the occasional Soviet deal however, Kuwait has no formal military pact. Kuwait is staunchly pro-western, and its armed forces are equipped with a mixture of French, British and U.S. aircraft, armour and artillery.

● Iraq has concluded a $2bn long-term credit agreement on very easy terms with the Soviet Union, Iraqi Deputy Prime Minister Tariq Aziz was quoted as saying yesterday, according to Associated Press in Paris.

UK-Nigerian relations face more diplomatic expulsions

BY QUENTIN PEEL

BRITAIN and Nigeria remained at loggerheads last night, with the prospect of further diplomatic blood-letting, in the wake of the expulsion of two Nigerian diplomats from London, followed by an immediate order for two British diplomats to leave Lagos.

There is concern in Whitehall that Mr Hamilton Whyte, the British High Commissioner to Nigeria, could become the next victim of the furore following the abortive kidnapping of Alhaji Umaru Dikko, the former Minister of Transport and presidential adviser, now declared as the military regime's most wanted fugitive.

Both sides in the dispute yesterday expressed their continuing anger and distress over the escalation of events, which has reduced Anglo-Nigerian relations to their lowest point for almost a decade.

In London, Sir Geoffrey Howe, the Foreign Secretary, who ordered the first expulsions, condemned Nigeria's retaliation as "totally without justification."

"They have not been implicated in any illegal acts in Nigeria," he said. "This is clearly a case of tit-for-tat, and is much to be regretted."

However, in Lagos Dr Ibrahim Gambari, the Nigerian Foreign Minister, returned to the offensive by attacking British treatment of the Nigerian High Commissioner to London, Maj-Gen Haldu Hananiya.

He said his Government was distressed by Sir Geoffrey Howe's statement that it would be "inappropriate" for the High Commissioner to return, because of continuing uncertainty over his High Commission's involvement in the statement introduced a "new dimension" into the Dikko affair.

The Foreign Minister, while insisting that Gen Hananiya would be returning to London, also promised to react promptly to any development.

Yesterday morning, Mr Whyte was called in for a meeting at the Nigerian Foreign Ministry, although the substance of the discussion was not disclosed.

There seems little likelihood of Britain agreeing willingly to withdraw its High Commissioner from Lagos when he has not committed, nor been accused of, any offence.

Tougher Swedish defence policy sought

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE LEADERSHIP of Sweden's ruling Social Democratic Party is seeking to persuade the party to adopt a tough line on security and defence policy as the run up begins for next year's general election.

In preparation for the party conference in September the leadership is avoiding all calls for cuts in defence expenditure and is instead stressing the need to bolster the country's armed forces.

This marked reversal of earlier policies has come in response to the growing strategic importance of the Nordic region and the repeated violations of Swedish territorial waters by foreign submarines.

The Swedish armed forces have shown themselves to be woefully unprepared for dealing with the submarine threat, and the Government has recognised that the standard of equipment and training in anti-submarine warfare must be drastically improved.

Increased defence expenditure was sanctioned earlier this year in an agreement with the non-Socialist Opposition parties.

Mr Anders Thunborg, the Swedish Defence Minister, said that the country had to show that it could sustain a credible defence. "We look at the setbacks in disarmament negotiations, the re-armament going on in our close vicinity and draw our conclusions."

In its agenda for the conference the party leadership stresses the need for upholding Sweden's traditional policy of neutrality supported by a strong and well balanced defence.

By contrast the last party conference in 1981 laid the main emphasis of security and defence policy on international questions such as support for political and economic liberation movements and the need for pursuing an active disarmament policy.

The tougher stance taken by Mr Thunborg has come under attack from the party rank and file, however. Other motions to the conference suggest that Sweden should pursue a policy of unilateral disarmament in order to set an example to other countries.

Trade tiffs at Asean-Pacific talks

BY CHRIS SHERWELL IN JAKARTA

DIFFERENCES OVER trade issues clouded the two days of ministerial talks which ended yesterday between the six countries of the Association of South East Asian Nations (Asean) and their main Western and Pacific partners.

But there was broad agreement on new Asean proposals for wider Pacific co-operation and, despite an awkward tiff with Australia, support for the approach of the six—Indonesia, Thailand, the Philippines, Malaysia, Singapore and Brunei—to the thorny Kampuchean question.

Asean's complaints about protectionism were answered by Mr George Shultz, the U.S. Secretary of State. Pointing out that the U.S. recovery had substantially helped Asean exports, he urged critics to "look in a mirror" at the high tariff levels of developing countries.

By contrast, governments readily concurred on an Indonesian-inspired proposal for wider Pacific co-operation, starting with a "human resources development programme" that focuses on training and education.

This accord came at the Asean six's first ever meeting with their five Pacific partners as a single group. The meeting has been seen as laying the first real brick of a potential Pacific Bloc, but the U.S., Canada, Japan, Australia and New Zealand all joined Asean in rejecting any move to institutionalise such co-operation.

The tiff over Kampuchea came when Mr Bill Hayden, the Australian foreign minister, unexpectedly proposed a Canberra peace conference between the six Asean members and representatives of the Indochina communist states of Vietnam and Laos.

Dr Mochtar Kusumaatmadja, Indonesia's foreign minister and chairman of this week's meeting, spurned the idea so abruptly that he later apologised publicly to Mr Hayden.

Trial of KOR dissidents opens in Warsaw

BY CHRISTOPHER BOBINSKI IN WARSAW

POTENTIALLY the most important political trial in Poland since the mid-1950s opened yesterday before a Warsaw military tribunal. But there are doubts that the case will be concluded.

Three army judges opened the trial of four top Polish dissidents from the KOR group, Mr Jacek Kuron, Mr Adam Michnik, Mr Henryk Wujec and Mr Zbigniew Romaszewski, in a cramped district court room from which western journalists had been excluded for "reasons of space."

The day was mainly taken up with questions of procedure and ended with an hour-long hostile reading of the indictment accusing the four of preparing to overthrow the state by force.

POLAND yesterday signed an agreement with its commercial bank creditors to reschedule $1.6bn of its foreign debt falling due between 1984 and 1987 for a period of 10 years, Peter Montagnon writes.

Under the agreement Poland will pay an interest margin of 1¾ per cent over Euromarket rates on the rescheduled debt. Commercial banks have also promised to provide Poland with about $645m in new money between now and the end of 1985.

Prof Witold Bien, Deputy Finance Minister, said after the signing in London that the agreement should help Poland normalise its relations with its creditors and provided a suitable background for the provision of further credit.

A general amnesty for both criminal and political prisoners is expected for July 22, Poland's national day. There is every indication that the Polish authorities have not made up their minds whether to include the four KOR leaders who played an important role as Solidarity advisers in 1981.

The judges adjourned the case till next Wednesday and the nine defence lawyers left the courtroom commenting that they saw no reason why the trial should not be continued then.

But the Polish Politburo is due to meet again by then to discuss the issue while Monday is expected to see a meeting of PRON, an official umbrella movement, which has in the past had the role of calling for such conciliatory gestures as an amnesty.

Next Tuesday the parliamentary committee responsible for amnesty legislation is due to meet to discuss the amnesty law which would be passed by parliament on July 21.

Mr Lech Walesa, the Solidarity leader, and about 50 KOR supporters were outside the court and stayed until police moved them on.

Nato chief in surprise visit to Greek premier

BY ANDRIANA IERODIACONOU

GEN BERNARD RODGERS, Nato Supreme Commander, arrived in Athens on a surprise visit yesterday, for private talks with Dr Andreas Papandreou, the Greek premier.

Mr Antonis Drosoyiannis, Assistant Defence Minister, said the Rodgers visit was not planned previously. Nato embassies in Athens said they had only had a few days warning of the general's arrival.

The visit's impromptu nature has fuelled speculation that it is linked to the Greek-U.S. quarrel over issues including the supply of used F-5 fighter aircraft by Norway to the Hellenic Air Force, and continuing strike action by Greek workers at the four U.S. military bases here.

● Greek employees of foreign banks staged a one-day strike yesterday, demanding the same wage and benefit conditions as workers in Greek banks.

In Athens, most foreign bank branches continued to operate with a skeleton staff. Of the 16 foreign banks operating in Greece, only the First National Bank of Chicago, and American Express, which have reportedly met worker demands, were not affected.

Officials at the other foreign banks said giving in to worker demands would mean improving benefits such as maternity leave—increasing it from three to four weeks—and shortening the working week from 39 hours to 38 hours and 40 minutes. They said their main concern was an underlying effort by the militant Federation of Greek Bank Workers (OTOE) to bring foreign bank workers under its union umbrella.

Petra Kelly and Greens close to breaking point

By Rupert Cornwell in Bonn

THE PLANS of the West German Greens to "rotate" their MPs here every two years has brought relations between the environmentalist party and Petra Kelly, its co-founder and most celebrated member, close to breaking point.

Frau Kelly yesterday signalled more strongly than ever her disagreement with demands for her—and the other 25 Green MP members—to give up her Parliamentary mandate in March, halfway through the allotted four-year Bundestag term.

A fortnight ago the Bavarian Green party, which sent her to Bonn last year, decided not to allow Frau Kelly exemption. She said yesterday that although she planned not to seek re-election in 1987, it was imperative that she was allowed to complete her present mandate.

The dispute has many causes. These range from resentment over Frau Kelly's fame, to the party split between fundamentalists—anxious to preserve the movement's purity—and pragmatists who favour a tactical alliance with the opposition Social Democrats.

Argentina upset by Chile's exports to Falklands

BY MARTIN ANDERSEN IN BUENOS AIRES

ARGENTINA has issued a formal complaint to its western neighbour Chile for resuming its trade ties with British authorities on the Falkland Islands.

The snag in relations between the historically rival Latin nations came at a time when negotiators for the two countries were reportedly nearing agreement on an accord to resolve a century-old border dispute over the Beagle Channel at the tip of the continent.

Diplomatic sources here said the development could have a negative impact on the negotiations, which observers here say will certainly include major Argentine concessions over the disputed territory.

Sr Arturo Fontaine Aldunate, the Chilean Ambassador, was summoned to the Foreign Ministry in Buenos Aires on Thursday evening to hear of Argentine unhappiness over the resumption of trade with the disputed archipelago. Commercial relations between the crown colony and Chile were suspended at the onset of the 1982 Falklands war between Britain and Argentina.

Foreign Ministry officials said the protest note delivered by Sra Elsa Kelly, the Argentine Ministry Secretary, singled out the sale of $168,000 worth of Chilean timber, coal, gas and oxygen tubes shipped from the southern Chilean port of Punta Arenas to the islands aboard the Danish ship Aes.

Brazil raises forecasts of foreign reserves

By Andrew Whitley in Rio de Janeiro

BRAZIL'S strong trade performance has led to an upward revision in the Government's forecasts of its end of year foreign exchange reserves and current account deficit.

Sr Affonso Celso Pastore, the central bank Governor, said on Thursday that gross reserves should reach $6bn (£4.6bn) against earlier estimates of $4.5bn. The current account deficit is now expected to be down to $3bn, from the previous figure of $5.3bn.

The Governor and Sr Antonio Delfim Netto, the Planning Minister, separately highlighted what Sr Pastore described as the "hand to hand" fight against inflation — currently running at 230 per cent a year — as the Brazilian Government's most difficult challenge.

Sr Pastore argued that Brazil's foreign exchange policy—mini-devaluations at frequent intervals to match the prevailing rate of domestic inflation—was severely restricting the authorities' room for manoeuvre on this front.

The Planning Minister is to visit Washington either at the end of this month or in early August for preliminary talks with the International Monetary Fund and the World Bank about the next round of Brazilian debt refinancing to cover 1985 and possibly additional years.

Sweden's trade surplus up

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDEN ACHIEVED a record trade surplus in the first six months of 1984 of SKr 13.8bn (£1.27bn), nearly 50 per cent more than the surplus in the corresponding period last year and four times more than the surplus in the first half of 1982.

The country's trading performance has shown considerable improvement in the wake of the 16 per cent devaluation implemented in October 1982, and in recent months it has also been helped by the general recovery in world trade.

Swedish exports jumped by 16 per cent in value in the first six months to SKr 121bn, while imports rose by 13 per cent to SKr 107.2bn.

The Central Statistical Office warned, however, that in May and June imports had begun to rise faster than exports. For many months the recovery has been led by booming exports, but with industrial production rising sharply and domestic demand also showing signs of strengthening, the demand for imports is gathering pace.

Nuclear threat fails to rattle the teacups in Wellington

Michael Thompson-Noel in New Zealand examines the issues in the country's general election and wonders if Sir Robert Muldoon's National Party Government, in power since 1975 can survive the Labour Party challenge

"THIS ELECTION is about government. . . . That means it is about leadership. . . . We know what we are doing because we have been doing it for a long time."

— Sir Robert Muldoon, Prime Minister of New Zealand.

"New Zealander has been deliberately set against New Zealander, young against old, rich against poor, unions against employers, race against race. . . . Confrontation has debased our national life."

—Mr David Lange, leader of the NZ Labour Party.

"New Zealand, being remote, relatively self-sufficient, strategically insignificant and in the southern hemisphere . . . has the option of planning to survive a worst-case nuclear war (scenario B1). By doing so, New Zealand would be in a position to offer at least some humanitarian assistance to survivors in the North."

—Nuclear Disaster. A report to the Commission for the Future, Wellington, March 1982.

It says much for New Zealanders' complacency that even the prospect of nuclear apocalypse fails to rattle the teacups in Wellington or Wairarapa, Dunedin or Rangitikei.

Hence, the monumental inward-lookingness of a study group on nuclear disaster which, in 1982, concluded that the most serious impact on New Zealand resulting from a northern hemisphere nuclear war would stem not from fall-out but from "loss of trading partners."

However, in the pre-apocalyptic present, today's general election in New Zealand points to an eruption of sorts—the expected Bastille Day dismissal of Sir Robert Muldoon's National Party government, which has ruled since 1975, and its replacement by Labour, under Mr David Lange.

Sir Robert is a famed survivor. He is also regarded as a bully, a leader whose increasingly firm grip on NZ politics and society has produced a style that Labour calls "chronically interventionist and ad hoc." In Mr Lange's view, New Zealand is under the yoke of "a very centrally controlled economy. It is government by threat, jawboning, and bluster in which Parliament has no part."

The campaign has produced only two real issues—the economy, and Sir Robert. Although he has portrayed National as the "broad spectrum party" and warned against Labour and trade union "extremists," the Nationals have lost ground steadily.

Squat and budda-like, Sir Robert has glowered and growled through the campaign in unmistakable fashion.

He looks like a loser. His cause was hampered badly this week by a leaked International Monetary Fund report on New Zealand's economy which amounted to an almost total broadside against virtually everything Sir Robert and the Nationals have done with the economy.

As leaked, the report urged New Zealand to cut spending, raise indirect taxes, and correct "major underlying imbalances" in the economy. It said devaluation of the NZ$ would almost certainly be needed in the medium term to leave room for the dismantling of protection and export incentives."

In the IMF's view, current internal NZ deficits are so large (in 1983-84: NZ$3bn, or 8.8 per cent of estimated gdp), that they threatened to destabilise the economy, either through high interest rates (which are at present suppressed), or monetary expansion. A return to unregulated interest rates was urged.

"The staff feel that it is critically important to tighten financial policies markedly if a resurgence of inflationary pressures after the end of the (wage) freeze is to be avoided."

As for foreign debt — the most controversial legacy of the Muldoon years — the IMF said further borrowing needed to be limited to "economically viable investments" rather than sustaining consumption.

Until recently, it was not known how much New Zealand owed abroad. However, the Reserve Bank of NZ said recently that estimated total overseas debt (subject to minor caveats) was NZ$14.4bn (US$8.9bn) at March 31 1983 (or 45 per cent of gdp).

Mr Lange claims the debt has since ballooned to NZ$17bn. "It means that every single New Zealander is in hock to international financiers to the tune of NZ$5,000," he says.

"Every man, woman and child in this country is paying NZ$10 a week in interest payments to service this debt. NZ$50 a week for a family of five."

Sir Robert says some of this borrowing was necessary to finance the government's "think big" energy and industrial projects. These include a synthetic petrol plant at Motunui, a chemical methanol plant, expansion of New Zealand Steel, plus major electricity generation, forestry, and other projects.

Sir Robert says that even if the "think big" projects were only marginally commercial, they will turn indigenous hydro-power, natural gas and oil into external funds.

He also says New Zealand has had to battle a 10-year recession—that to buy the same volume of imports, it now has to sell four lambs or four bales of wool against three previously.

During the life of his government, he says, traditional grasslands farm export volumes have been boosted by 35 per cent, fisheries by 267 per cent, forestry by 77 per cent, and manufactured goods by 146 per cent. "Overall, the increase by volume in exports has been 53.2 per cent."

The expansion of agriculture, horticulture, forestry and tourism is also a feature of Labour's so-far-indistinct policy aims.

Instead, Mr Lange has castigated the government for its "improvisations," for producing "arguably the poorest (economic) performance in the OECD," for high unemployment, and for National's "deliberate and calculated undermining of New Zealand's social cohesion and racial harmony."

His promise if elected: a national economic conference of employers, unions, farmers, and government that will "devise a broad, New Zealand accord."

This clearly borrows from the tactic last year of Mr Bob Hawke, the charismatic and (so far) highly successful Australian Labor Prime Minister, whose Government is riding high. Unfortunately, to quote the most popular refrain of the New Zealand campaign, Mr Lange is "no Bob Hawke."

To rule comfortably in the new 95-seat Parliament, Labour is reckoned to need a two-party swing of 4 to 5 percentage points, which is thought to be within its compass. On the other hand, the Nationals only need a swing of about 1.5 percentage points to stand a chance of winning a working majority. The minor parties, Social Credit and the New Zealand Party, are unlikely to make much impact.

A long time ago, New Zealand was prosperous and contented. It was "Godzone" (God's own country), in which a small, tightly-knit, multi-racial population enjoyed high incomes, advanced welfare services, and magnificent scenery. Its grasslands agriculture was immensely lucrative. Everyone played rugby, or fished for trout. It was paradise regained.

However, total farm area stabilised, Britain joined the EEC, protectionism flourished in the northern hemisphere, and the price of oil shot up.

Whether Mr Lange and Labour can stem the pace of New Zealand's decline is at this stage imponderable. Promisingly, he accepts that New Zealanders have been living beyond their means.

There are some, however, who can see way past the present. The 1982 report to the NZ Commission for the future contained a fictionalised chapter that envisaged New Zealand in 2012, 30 years after a nuclear holocaust.

New Zealand was surviving. Government continued to function. Sea-borne trade was under way. An expedition to Singapore had rescued several crates of microprocessors. There was an upsurge in political debate, and a "resurgence of representative sports fixtures."

The report said: "As the second decade of the new millenium looms ahead New Zealand society and its position in the world are infinitely stronger and less demanding than could have been imagined only 30 years ago.

"The country is a united whole, inward-looking it is true, yet more sure of itself as a result."

That is what it said in the report. Smile at your own risk.

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At long last Britain's most controversial print boss has bought his way into the Fleet Street jungle **Sue Cameron** reports

Maxwell's jubilation mirrored by fears among printers and journalists

THE USUALLY dour Sir Alex Jarratt, chairman of Reed International, sat in his office overlooking the Ritz and permitted himself a small, satisfied smile. He reckoned Reed's sale of Mirror Group Newspapers to Mr Robert Maxwell's Pergamon Press had netted shareholders £30m more than would have been raised from a planned public flotation.

Meanwhile, down at the railway cutting's end of Worship Street in the City, there was equal jubilation at Maxwell House, headquarters of Pergamon. The boss had fulfilled his long-cherished ambition to own a national newspaper—and had already departed for the Mirror building in Holborn to enjoy his new kingdom.

The joy is not universal. Mr Clive Thornton, on whom so many hopes had been pinned, resigned as chairman of MGN first thing yesterday morning after a mere six months in the job.

He said there was "no question" of his working for Mr Maxwell. Which was fortunate, as Mr Maxwell had expressed a similar view earlier in the week.

Mr Thornton's contract still has several years to run. Sir Alex said yesterday he would be discussing golden handshake arrangements with Mr Thornton—but not with the Press.

One of Mr Thornton's last acts as chairman of MGN was to address a meeting of trade union leaders at the Mirror group on Wednesday night.

He warned them that Mr Maxwell's plans to boost MGN's profits were likely to lead to the loss of 3,000 jobs—more than a third of the Mirror group's 8,900 workforce.

The MGN unions — both journalists and printers — have opposed a Pergamon takeover ever since Mr Maxwell made his £80 opening bid on July 3.

On Wednesday the unions gave Mr Thornton assurances that they would follow agreed disputes procedures and would not disrupt production. Yesterday they insisted that Mr Max well would not inherit these assurances and they accused Reed of reneging on promises to ensure the "widest possible ownersbip of MGN."

Sir Alex said he was "naturally very sorry that events have caused MGN staff to feel that way." But he felt Reed had proved its good intentions by the fact that its planned flotation of MGN had been almost complete when Mr Maxwell made the £113.4m offer that Reed could not refuse.

Sir Alex said he and his fellow board members had been "in no mood to sell MGN simply because Maxwell wanted it." But just before Mr Maxwell made his first offer, Reed's advisers had stated "formally and strongly that we could oot expect to raise more than £65m from the flotation of MGN."

And that advice, Sir Alex said, preceded the general drop in the market that woud almost certainly have made the flotation later this month unwise."

MGN, which had a trading profit of £5.7m on a turnover of £277m in 1983-84, includes the Daily and Sunday Mirror, the Sunday People, the Daily Record and Sunday Mail in Scotland, and Sporting Life.

Sir Alex pointed out yesterday that as well as paying some £30m more than the market woold have given, Mr Maxwdell bad also had to improve his own original offer by £33m.

Reed has had to pay back an inter-company debt of £23.4m to MGN—which means its net proceeds from the deal will be £90m. If the £23.4m is lopped off Mr Maxwell's original £80m bid then the real value of his first offer would have been £57m—less than expected from the stock market.

Meanwhile Mr Maxwell began his day as Fleet Street's newest proprietor by saying that some of the fears expressed by MGN staff were "baseless." He said he wanted his editors, managers and other workers to be able to "walk eight feet tall."

As part of the deal with Reed, Mr Maxwell gave assurances that he would "maintain the existing political stance, and editorial independence, policies and practice of MGN."

The Mirror is virtually the only Fleet Street daily to support the Labour Party.

Mr Maxwell, who is said to have had discussions with Mr Neil Kinnock, the Labour leader, during his negotiations to buy MGN, was himself a Labour MP from 1964 to 1970.

Earlier in the week he made it clear he wonld not set up any new TUG/Labour Party national daily paper, as Mr Thornton had talked of doing. But Mr Maxwell did say he would be prepared to print a new paper if the Labour Party or the TUC approached him as potential customers.

What he is planning to do—as advertised during his negotiations with Reed—is to start a new London evening paper this September. This may go some way towards calming MGN staff fears about Mr Maxwell as a boss. So too, should his promise to allow staff to buy shares in MGN "as soon as is practicable" — although he wants Pergamon to retain 75 per cent of the shares.

Mr Maxwell has insisted that his takeover of MGN is "not an ego trip" and that his main interest is profit. The first part of this statement is widely discounted—but he could well deliver the goods on the second point.

Pergamon originally acquired its ordinary shareholding in the British Printing and Communications Corporation and in Hollis in 1981 and 1982 for a cost of about £15m. Pergamon's latest annual report boasts that "today these holdings are worth about £200m, a massive appreciation in response to their vastly improved performance since Pergamon gained control."

In 1983, BPPC's sales rose by 19.9 per cent to £230.9m and its operating profit before exceptional items was 60.2 per cent higher than in the previous year at £31.2m.

The Maxwell plan for MGN is boost circulation, harden up the "competitive edge" of the newspapers and boost profits from last year's £5.7m to £15m. This would bring MGN more closely into line with The Sun—chief rival to the Daily Mirror—which last year contributed £22m to the profits of News International.

The question is whether Mr Maxwell can do it. Others have tried or lame Fleet Street with its management tradition of buying a way out of industrial trouble. Some of them have come with a reputation for being eminently successful in other fields. Few of them can have been viewed by Fleet Street—and others—which such deep suspicion as is Mr Maxwell.

Robert Maxwell: An ambition fulfilled

Clive Thornton: Instant resignation

DAILY Mirror

A press baron with a record of beating print unions

MR ROBERT MAXWELL stormed out of the negotiating room and bellowed for his coat (which he had not brought with him) and for his chauffeur (who was asleep in the car), writes David Goodhart.

"I can't negotiate with these people any longer it's impossible," be roared, and apparently disappeared into the early morning mist swirling around Sogat's offices in Borough Road, South London. It was a typical bit of Maxwell theatrics and — again typically — it worked.

Mr George Willoughby, the former London central branch secretary, hurried out a few seconds later and finding Mr Maxwell sulking in the porch persuaded — indeed almost begged — him to return. Mr Maxwell had won —at least that round.

The incident occurred over 18 months ago during the protracted row over the closure of BPCC's Park Royal plant. But many more rows can be expected in the coming months as he tries to slice back manning levels at MGN and opens negotiations on a new London evening.

His tough negotiating stance and lack of inhibition about carrying out closure threats has never endeared him to union officials.

But in addition to his economic muscle he has in the past been able to rely on considerable mutual respect; close friendship with some print union leaders and his socialist credentials.

The union outcry over his purchase of MGN is clear evidence that times have changed. One union official last night commented: "I think in the past year the socialist fig leaf has well and truly dropped off."

The closure of 10 BPCC plants in two years with the loss of 4,000 jobs might in retrospect be accepted as painful but necessary. What the unions cannot forgive is Maxwell's use of the Government's legislation against Sogat and the NGA last April in a row over the closure of Waterlows Security Printers.

In a typically mercurial twist Mr Maxwell ended up paying the union fines. But it was enough to prompt Ms Brenda Dean, the general secretary-elect of Sogat, to write to the Oxford Labour Party in effect asking for his expulsion.

Relations may be sour, but the unions also recognise realities—and yesterday the Mirror building was ringing with the sound of words being eaten. The realities are that the BPCC survival plan—although at the cost of one quarter of the jobs—has been an amazing success.

As well as cutting jobs, Mr Maxwell has also invested large sums in the latest print technology, apparently without strong union objection.

ICL stops marketing Fujitsu computer

By Raymond Snoddy

ICL HAS ended its agreement to market Atlas 10 computers, produced by Fujitsu of Japan, in the UK.

Since the agreement was announced in May 1982, ICL said yesterday, it had sold only six of the very powerful mainframe computers, which cost between £2.5m and £3m.

When a new division was set up to market the Atlas, it was claimed that ICL was aiming to take the second biggest sbare of the European market for very large computers aftec IBM. The machines were "plug compatible" with LBM.

ICL estimated then that there would be at least 100 UK customers for such large systems in the next few years.

In the event, ICL found only three customers for the six Atlas 10s they sold. In West Germany, Siemens had more success with a similar deal. About 200 computers have been sold, although this includes both large and smaller machines

ICL emphasised yesterday that the Atlas decision did not affect the two companies' technology transfer agreements involving the supply of Fujitsu microchip technology. Last month, they signed an agreement in Tokyo significantly extending the leve of technical collaboration.

ICL's difficulties with Atas were partly caused by IBM discounting.

ICL, the only British-owned mainframe computer manufacturer, plans to bring out its own powerful machine, code-named Estriel, next year. The company agreed in principle with Amdahl to explore the possibility of the U.S. company taking over future responsibility for servicing ICL's Atlas customers. ICL and Amdahl expect to conclude their discussions within the next few weeks.

BNOC to peg N. Sea prices

By Maurice Samuelson

THE BRITISH National Oil Corporation last night told its suppliers and customers that it intends to peg the price of most North Sea crudes for the third quarter of the year.

Although one or two customers may refuse to buy at these prices, most are expected to accept grudgingly.

In the face of downward pressure in the spot market, BNOG intends to peg the price of Brent crude, the North Sea marker brand, at $30 (£22.67) a barrel, in line with the price structure agreed this week by the Organisation of Petroleum Exporting Countries.

It is also seeking small rises, believed to be between 10 and 20 U.S. cents per barrel, in the prices of Ninian and Maureen Field blends. But these are technical adjustments, reflecting the changing composition of these blends.

Action promised against drug dealers

A DRIVE against drug dealers was promised by Mr David Mellor, Home Office Under Secretary, in the Commons yesterday.

He said heroin was being *smuggled* into Britain in "alarming quantities" and enormous profits were being generated in the illegal drugs economy.

Annual inflation rate stays steady at 5.1% in June

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE ANNUAL inflatinn rate remained steady at 5.1 per cent in June, according to official figures out yesterday, butthe Government's hopes that the rate wil lfall to 4½ per cent by the end of the year are fading.

The rise of 2½ percentage points in the mortgage rate to 12¼ per cent, recommended by the Building Societies' Association yesterday, will add about *0.8 per cent to the retail price* index in August. The Government had not been expecting this.

However, the retail price figures yesterday suggest that the underlying inflationary pressure remains weak, and that there are no big price rises in the pipeline apart from the mortgage rise.

A week ago, before the recent rise in interest rates, the Treasury was confident that its Budget forecast of 4½ per cent inflation by the end of the year would be achieved.

The downward drift in sterling since the beginning of the *year was not expected* to make much difference to the inflation figures—this year at least. However, there will be an impact through the rise of the sterling cost of imports during 1985.

Since January, the pound's value against a trade-weighted basket of currencies has declined by abont 5 per cent. This can he expected to add about 1 per cent to prices over about 12 months.

By contrast, the effect of the mortgage rate rise is nearly immediate, but reversible. Mr Nigel Lawson, the Chancellor, hopes interest rates will fall again in a few months' time. If so, then the Treasury could hit its inflation target by December.

The figures yesterday sbowed that the retail price index rose by 0.3 per cent in June — compared to the May figure to 351.9 (1974=100). For the first six months of the year, the annnal rate of increases in the Index has been remarkably steady at between 5.1 per cent and 5.2 per cent.

The tax and price index, which measures the gross pay needed to keep pace with changes in prices and taxes, rose by 4 per cent in the 12 months to June, when it stood at 180.1 (1978=100).

During the last 12 months easily the steepest rises bave been for seasonal foods, which increased in price by 21 per cent. However seasonal food prices in Jone fell by 2.2 per ceot. This trend is expected to continue this mooth.

The average prices of clothing and footwear were marginally lower in June than a year earlier, while the average price of non-seasonal foods rose by 4.8 per cent in the period.

The inflation rate is now slightly less than the average for the rates in the 24 most developed nations and 1.3 percentage points fewer than the EEG average.

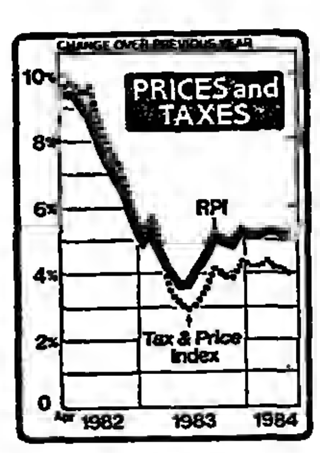
Latest inflation rates for the main industrial countries (percentage rise in prices over the latest 12 months) are: U.S. 4.2, Canada 4.1, Japan 2, West Germany 2.8, France 7.8, Italy 11.3.

In the Comons on Thursday, Mr Lawson said: "Inflation is well on track." However, he significantly avoided direct discussion of the Treasury's 4.5 per cent inflation forecast for the end of the year. The increased mortgage rate would affect the RPI he said, but he honed the rise would be short-lived.

RETAIL PRICES

(Percentage rise over 12 months) JUNE 1984

All Items	5.1
All Foods	7.1
Seasonal foods	20.8
Other food	4.8
Alcoholic drink	5.4
Tobacco	12.5
Housing	7.3
Fuel and light	3.8
Durable household goods	2.4
Clothing and footwear	−0.1
Transport and vehicles	2.7
Miscellaneous	5.4
Services	4.0
Meals out	8.2
Nationalised industry prices	4.0



MORTGAGE RISE LIKELY TO SLOW HOUSING MARKET

First-time buyers to feel pinch

BY LYNTON McLAIN

THE NEW mortgage *rate* of 12¼ per cent will bit first-time huyers hardest, estate agents and surveyors predicted yesterday.

The rise in interest rates was likely to slow down or stop any price increases at the lower end of the market, according to the Incorporated Society of Valuers and Auctioneers.

"If first-time buyers are already looking at the bottom of the range and cannot now afford a mortgage, then they will bold off altogether from buying," said the society.

Teh Royal Institution of Chartered Surveyors felt that the increase would slow down the housing market generally. It added, however, that prices would not be seriously affected, provided interest rates were lowered before too long. It said that prices had risen *steadily* during *the* past 12 months.

The latest figures for house prices, those for May, from the Building Societies' Association *show an average price* of £31,082 for all houses. This represents a rise of 8.2 per cent from the average a year earlier.

During the period, the average price of a new house rose by 7.6 per cent to £34,492, and the price of second-hand houses rose by 8.4 per acent, an average of £30,575.

Taylor, a partner in Stock Page and Stock, an estate agency with offices in north and south London, said prices of homes from the bottom of the market up to £50,000 would be worst affecied—although the market usually slows down at this time of year until the end of September and early October.

In the parts of London where the agency operates, the market had been "quite active" for a few months. Prices for a three-room, kitchen and bathroom flats had risen from about £15,000 in January to about £22,000 this month.

Would-be buyers who have been hesitating are likely to wait for the mortgage rate to fall again, "especially as Mr *Lawson says* rates would *not* stay at their present level for long," Mr Maunder Taylor said.

Mr John Thomas, a partner in Baxter Payne Lepper, an estate agency at Bromley, Kent, agreed that the rise in the mortgage rate "will exaggerate the seasonal slow-down in bouse buying."

"I do not expect to see any fall in prices — it is just that the recent rise in prices will probably stop," he said. Prices in the Bromley area had risen by 15 per cent in the past six months.

Manx freeport parties near agreement

THE Isle of Man hopes to conclude with the next few weeks a deal with British Land to set up its freeport. Following Wednesday's long debate in Tynwald, the island's parliament, the two sides are to meet to conclude heads of agreement.

British Land could then go out to tender almost immediately. Mr John Webster, the Manx chief economist, said it was hoped the builder would be *on site before the end of* the year. "We are very happy with the agreement and there remain just a few matters to be finalised," he said.

Under the deal the Isle of Man is to grant British Land a 125-year lease on the 22-acre site next to Ronaldsway Airport, about 10 miles south of Douglas, the capital.

The site will be developed by British Land. The company is *committed to erecting* buildings on a minimum 5,000 sq ft but if the freeport is fully occupied it will have about 330,000 sq ft of warehouse industrial and ancillary space.

The two parties are dividing the rent equally after deduction of developer's return. British Land is undertaking all promotion, marketing and development of the freeport and, when built, its management.

Authorities say water rationing inevitable

By David Hellier

WATER RATIONING is still inevitabla in many parts of the country in spite of recent rainfall, water anthorities say.

The Water Anthorities Association, representing the 10 water authorities of England and Wales, yesterday appealed to users in droughbt areas to follow the calls for conservation.

It said: "The rain of the last few days should not create the impression that the drought is over. It isn't."

Sooth-ast Wales, Devon and Cornwall and the North-west have been particularly badly hit in one of the driest years on record. Summer rainfall is predicted to be only 30 to 40 per cent of average levels.

Rationing will begin in sonth-east Wales, where there has been a hose-pipe han since mid-May, in less than three weeks unless there are exceptional savings or dramatic rainfall, the Welsh Water Authority said.

Wherever possible industry, which uses a lot of water, will be given priority during rationing, which is likely to take the form of 12 hour cut-offs.

The Confederation of British Indnstry in Wales said: "In general households prefer a wage packet to the prospect of more regular baths."

Many parts of Devon and Cornwall are in a worse position than during 1976, when demand for water was 30 per cent lower. Rainfall during the year has heen only 60 per cent of the 1976 level.

The South West Water Authority is urging people in Plymouth to halve consumption.

The North West Water Anthority has said it faces the effects of the driest spring for 90 years. Rationing could not be ruled out.

Review of outdoor advertising planned

THE GOVERNMENT is planning a review of the regulations governing outdoor advertising, Mr Patrick Jenkin, Secretary for the Environmeot, announced yesterday.

His intention is to develop a more efficient, effective and simplified system of control.

This follows concern from the National Development Control Forum which represents planning authorities responsible for controlling outdoor advertising that the system is complex to understand and operate and vastly outdated. Much of it is substantially unchanged since 1948.

Nuclear power 'must be last resort'

NUCLEAR POWER stations are uniquely dangerous and should be built only as a last resort, Prof Jim Jeffery claimed at the Sizewell B inquiry yesterday.

Praof Jeffery, Emeritus professor of crystallography at London University, warned that once a nuclear reactor had been started—it could never be shut down to the extent that the roadioactivity is produced was safe.

Minet committee told £40m interest may be missing

BY JOHN MOORE, CITY CORRESPONDENT

UP TO £40m in interest payments on alleged misappropriated funds belonging to 1,500 members of the Lloyd's insurance market may be missing, accountants Price Waterhouse has warned.

The firm has been carrying out an investigation for more than 100 Lloyd's members wbose affairs are managed by the Ricbard Beckett underwriting agency, part of Minet Holdings, the large insurance broking group.

Minet has alleged that over 14 years former underwriting executives had misappropriated more than £38m belonging to 1,500 underwriting members. It is offering the members £38m compensation.

Price Waterhouse has been acting for a steering committee of 14 underwriting members seeking more information about the compensation offer and more details about the misappropriated funds. The committee is supported by 125 members affected by the problems and who are financing legal and accounting advice. Price Waterhouse has told the committee that between £30m and £40m in interest on the funds may be missing.

The development comes as underwriting members were told they face a £16m tax claim from the Inland Revenues on alleged irregular trading the former executives carried out.

That could rise to £30m once the Inland Revenue decides what penalties to impose and the amounts it regards as being in arrears on other underwriting accounts.

Minet bas made its compensaation offer with Alexander and Alexander Services, the group which owns Alexander Howden. The former executives used Alexander Howden companies to route the members' funds offshore to companies the former executives controlled.

Underwriting members have until July 19 to accept the compensation offer. In return for the compensation they are asked to assign their rights to further legal action to a company jointly controlled by Minet and Alexandec & Alenxander and their rights to further recovery of the money.

Richard Beckett, the underwriting agency, bas said "there is also considerable doubt over the existence of the agency if the offer fails." Minet has said that it expects all underwriting members to accept.

Nine of the steering committee do not intend to accept the offer. The other five are considering the matter.

Richard Beckett has said it has received about 500 acceptances and indications have been received that another 200 will also accept.

Inside Minet is has been estimated that, if legal rights are not waived by the members, the agency and Minet and other parties might be liable to legal claims of up to £75m.

Lloyd's resignation dispute to be heard next month

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CLAIM by two former executives of the Alexander Howden Group that they have resigned from membership of Lloyd's is disputed by the organisation, the High Court was told yesterday.

Mr Jack Carpenter and Mr Alan Page are asking the court to rule that Lloyd's has no power to take disciplinary proceedings against them because they have resigned. Proceedings were due to start early in October.

Yesterday Mr Justice Woolf agreed to expedite the hearing of their application. He said it could be heard in the first week of next month, at the beginning of the High Court vacation.

Miss Barbara Dohmann, for Mr Carpenter and Mr Page, said they had resigned on April 12. On April 26 they had been told that their resignations had been rejected.

Miss Dohmann said that for 30 years, the Lloyd's council had habitually accepted resignations when notified of them.

Mr Richard Jacobs, for the Lloyd's council, said it claimed it could specify the period of notice to be given in any particular case. He said that over the last 25 years, 95 per cent of those who had resigned had done so on December 31, though there was no binding custom or practice that they should do so.

The disciplinary hearing in October arises from allegations by Alexander & Alexander Services, Howden's parent company, about misappropriation of funds.

Judge allows resumption of miners' pension investment

NATIONAL COAL BOARD trustees of the mineworkers' pension scheme were given leave in the High Court in London yesterday to resume their investment programme—despite a refusal by the National Union of Mineworkers to appoint nominees to the management committee.

Mr Justice Mervyn Davies granted a temporary injunction to the five NCB trustees, allowing them to form their own quorum of four members until the union side can be represented before the court next Thursday.

Mr Andrew Morritt, QC, for the NCB trustees, told the judge that the application arose from decisions taken at the union's conference this week at Sheffield.

The conference resolved not to appoint further trustees "unless and until" the indemnity clause in the fund's rule were redrafted.

Navy plans £1bn scheme to modernise mine warfare

By Bridget Bloom, Defence Correspondent

THE Royal Navy is planning a £1bn programme to modernise its mine warfare capability over the next 10-15 years. Key elements are the introduction of up to 15 Hunt class mine-sweeping and mine-hunting vessels and 12 smaller River class mine sweepers for the Royal Naval Reserve.

Vosper Thornycroft, the British Shipbuilding subsidiary has completed six Hunt class and has five and on order. Richards Shipbuilders, a private sector company in Lowestoft, is building the River class.

A third class of minehunter, to be les costly than the £35m fibreglass-hull Hunt class, has been designed by Vosper. Vosper expects the first order this year.

According to senior naval officers the Navy is aiming for a fully modernised fleet of 50 vessels within the next 10 to 15 years though the officers acknowledge that the whole programme has not yet been fully endorsed by the Defence Ministry.

The programme involves new mines. At least two consortium are expected to tender to the Ministry this autumn for a continental-shelf mining system, a mine or allied weapon to function from greater depth and with greater accuracy than currently possible.

It is understood that Marconi Underwater Systems, Hunting Engineering and the Royal Ordnance Factories are competing for the project definition contract against a group involving British Aerospace-Sperry and Plessey.

• The Scott Lithgow shipyard, the subject of a long takeover battle this year, yesterday handed over one of the world's most sophisticated naval vessels. The Glyde yard, which was threatened with closure if no buyer was found, completed HMS Challenger six weeks ahead of a rescheduled delivery date.

Mr James Grice, managing director, praised the attitude of the yard's 3,000 full-time workers during the new ownership by Trafalgar House, the shipping and property group. Workers had been very positive and accepted a flexible work agreement which allowed extra shifts to be worked.

Investment of up to £20m has been announced since the takeover.

The 7,200-tonne Challenger, the Navy's first seabed operations vessel and the most advanced of its type in the world, will be able to search for, inspect and recover objects in deep water. It is equipped with three diving systems.

Woolworth to defy law again

WOOLWORTH is to open its Kensington branch again tomorrow in defiance of the Shops Act, which forbids Sunday trading. The store opened all day last Sunday, though it had not received permission from the local authority, Kensington and Chelsea Borough Council.

Woolworth said yesterday: trading, but for all our stores, "We do advocate Sunday just those where there is a clear need. The Kensington store operates in a tourist area, and after all we are here to give a service."

JENKIN AND JOSEPH MAY STAY; GUMMER AND PRIOR MAY GO

Reshuffle of Cabinet to be limited

BY JOHN HUNT

THE CONTINUED stability of the Government in spite of the present economic turbulence was being emphasised at Westminster yesterday.

It was stressed that the expected Cabinet reshuffle, which could be as early as September, would be as limited as possible. The word from Number 10 was that "reshuffle—it is" should be forgotten.

There is a good prospect that Mr Patrick Jenkin, Environment Secretary, will keep his job in spite of criticism in the Tory Party over the way he handled the paving Bill for abolition of the Greater London Council and metropolitan counties which resulted in defeat in the Lords.

Mrs Thatcher is said to have complete faith in him and to believe his recent settlement of the budget dispute with Liverpool City Council was highly successful though criticised by some Tory MPs.

In fact recent press attacks on Mr Jenkin are said to have increased the Prime Minister's determination to retain him as a prominent member of the

Mr Patrick Jenkin

Another figure set to continue in high office is Sir Keith Joseph, Education Secretary. The Prime Minister believes that in spite of the difficulties over teachers' pay he has established a rapport with the education profession and that his reforms of the examination system have been well received.

Cabinet.

There is every chance Lord Hailsham, 76, will remain Lord Chancellor. He has no intention of volunteering his resignation.

Repeated rumours that Mr Cecil Parkinson, former party chairman and Minister for Trade and Industry, will be brought back by Mrs Thatcher are entirely discounted. There is said to be no chance of his return.

A question mark still hangs over the future of Mr John Selwyn Gummer, party chairman, who was attacked for the way he handled allegations of extreme right-wing infiltration of the party.

As rising start outsider is Mr George Younger, Scottish Secretary. He surprised MPs with an authoritative interview on BBC radio to calm speculation after Thursday's Cabinet meeting on the economy. The previous day he made a powerful speech to the parliamentary press gallery, criticising striking miners and dockworkers.

In spite of having a reputation for being something of a "wet" he is said to have the Prime Minister's confidence and is seen as a useful, highly effective spokesman on many issues.

It is acknowledged that the position of Mr James Prior, Northern Ireland Secretary, is a key to the reshuffle. He has indicated he wants a move and would be prepared to retire to the back benches if not offered a job commensurate with his seniority.

● A drive for greater efficiency in Tory Party constituency organisations was announced yesterday by Mr Michael Spicer, the party's deputy chairman. He said Central Office was planning ways to help local parties to stand on their own feet financially so they could all afford an agent.

The party would rent office equipment for them and provide shared secretarial services. The introduction of computers was also being stepped up.

Owen takes tough line on miners strike

BY JOHN HUNT

DR DAVID OWEN, the SDP leader, took an extremely tough line on the miners' strike yesterday, saying a defeat for the Government by the NUM could "stimulate an earthquake in loss of confidence."

He said there should be no "fudging" on an industrial dispute which was clearly political "and must be beaten in the name of economic and political sense."

Speaking at the Liberal summer school at Matlock College, in Derbyshire, Dr Owen also launched a strong attack on the Government's handling of the present economic difficulties and predicted there could eventually be a balance of payments crisis.

But Mr Leon Brittan, Home Secretary, made an equally powerful defence of the Government's economic policy and denied that Ministers were suffering a bad attack of "midsummer jitters."

He told Langbaurgh Conservative association, in Cleveland: "Let me make it clear that there are no jitters in Downing Street, no jitters at the Home Office, no jitters around the Cabinet table and no jitters among those responsible for enforcing the law of the land."

Mr Brittan maintained that the economy had been steadily recovering and the events of the past week had not changed that. In spite of the coal and dock strikes it had to be remembered that the majority of workers loathed the activities of Marxist militants.

It was clear, he said, that freedom and democracy were under frontal attack from Mr Scargill and his "storm-troopers." Nevertheless the rule of law would be upheld and violence and intimidation defeated.

Dr Owen said the fall in the value of the pound and the rise in interest rates would choke new investment, reduce growth and push up unemployment.

The decline in North Sea oil revenues from 1986 onwards threatened to provoke a balance of payments crisis which would force the Government into expenditure cuts and interest rate increases.

"The tremors of today precede the slide wonwards for the British economy which will hit us probably later next year," said Dr Owen.

He called for a co-ordinated economic expansion programme "with Britain's trading partners. He also advocated an industrial credit scheme of £100m per annum over five years to provide fixed interest money for industry to innovate.

Liverpool's budget victory claim angers minister

THE CLAIM by the left-wing dominated Liverpool City Council that it has scored a "massive victory" in its budget battle has soured the atmosphere for next year's cash negotiations with Whitehall, the Environment Secretary, Mr Patrick Jenkin said yesterday.

Mr Jenkin, making his first visit to Liverpool since the budget crisis was resolved, singled out the outspoken Militant Tendency supporter Mr Derek Hatton, the deputy Council Leader, for criticism.

"I approached the city council in a spirit of co-operation in order to help solve some of the very real problems," Mr Jenkin said.

"I will leave it to the people of Liverpool to decide whether the way in which Councillor Hatton sought to to dance on my political grave before they reached their lawful budget is actually the best way of moving forward in the spirit of co-operation I was offering.

"What some of the Liverpool councillors have said in the wake of our talks has very considerably soured the atmosphere and will make it more difficult for to carry out the continuing consultations."

David Lascelles on the continuing need for corporate sick beds

Banks' intensive care units remain busy

THE UK may be enjoying recovery but bankruptcies are still running at record levels. It has long been an irony of economic life that companies struggle through recession only to collapse when things get better.

The "intensive care" units—which the big banks were forced to set up when things were at their bleakest two or three years ago to cope with companies in trouble—are still busy. In fact the chances of these units being closed down through lack of work looks remote, especially in view of this week's 2 per cent rise in the banks' base rates.

"The number of new casualties, specially the big ones, has fallen to a trickle," said one clearing banker. "Eventually I would hope to see my section reduced in size, but not until I'm sure we have got these companies back on the road."

At the death of the recession Barclays Bank, the UK's largest, had about 600 companies in intensive care, according to Sir Timothy Bevan, the chairman, speaking at the time. Today there are probably slightly fewer, but the sum does not include countless of Barclay's strapped corporate customers who are being nursed along by their local branches.

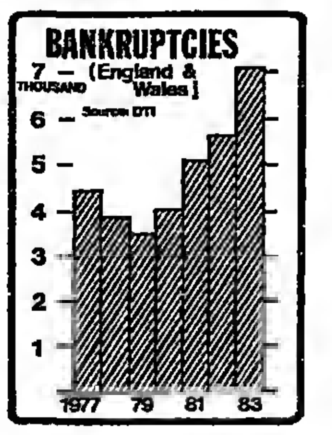
"Things are very much easier now," said Mr Neil Blair, assistant general manager at Midland Bank. "Unfortunately, the number of company crashes is about the same, but most of them are now small companies."

But if there are still plenty of patients in the sick wards, their general state of health seems to be a bit better. Mr Blair said: "Almost half the companies in intensive care are now making a profit again, compared to only a handful 18 months ago." Like other bankers, he was wary of being too specific about just how many casualties he is looking after.

However the improvement has cut the workload of Midland's intensive care unit, while its staff has been reduced by about one third. The unit was first set up during the 1974 property crisis, so it is celebrating its tenth birthday.

At Lloyds Bank, which never created a formal unit, Mr Robert Medlam, general manager of the corporate banking division, said: "I hope the worst of the problem is coming to an end. The companies we have in support are in better shape than they were six months ago."

"Very few intensive care clients fall while they are with us," said Mr Blair. But banks only take on companies which they believe have a fair chance of survival after vetting them rigorously.



With the improvement, the role of the units has shifted from supplying oxygen, as one banker put it, to getting companies off their crutches. This entails supporting management, making more loans where necessary, and even priming the pump of a capital-raising exercise by agreeing to subscribe to part of a new share issue.

What are the lessons bankers have learnt from looking after their patients?

"There is no substitute for good management," said Mr Blair — a view that seems to be widely held. The most frequently cited failings are poor information, flawed strategies and "management for profit" rather than profit."

Some bankers even blame themselves. A senior executive at one of the large clearing banks said: "Banking is a very competitive business, and banks are falling over each other to lend against sterling assets which look alright now, but what about the future?"

He added that many problem companies turned out to have several banks and to have over-borrowed. In those cases, he said: "All the banks have to get round a table and agree what to do."

As with any real illness, "the trick is to get in early," commented another.

Mr Stanley Carslake, divisional general manager at Barclays summed up his experience of the last few years: "Everyone in my kind of job should be made to witness a receivership, and realise what the realities of failure are, because they can be very harsh."

APPOINTMENTS

Consolidated Gold Fields changes

CONSOLIDATED GOLD FIELDS, has made changes in the responsibilities of its two managing directors. Mr Anthony Hichens, formerly managing director—finance, becomes managing director and chief financial officer. As managing director he will be responsible for the direction of CGF's headquarters organisation. Mr Humphrey Wood, formerly managing director—operations, will be responsible for the wholly-owned operations of the company. He becomes chairman of a wholly-owned subsidiary, Gold Fields ARC, which is being created to further strengthen the development of the company's construction materials and related activities.

★

COUNTY BANK and BISGOOD, BISHOP AND CO have made the following appointments. To the board of County Bank from Bisgood: Mr J. C. L. Puxley, chairman and joint managing director; Mr E. M. Winterflood, joint managing director; and Mr D. R. Forrester, director with responsibility for international business. To the board of Bisgood: Mr J. Plastow, general manager, related banking services division, National Westminster Bank; from County Bank: Mr C. N. Villiers, chief executive, and Mr J. Cohen, deputy chief executive. National Westminster Bank has completed acquisition of 29.9 per cent of Bisgood, with arrangements for that shareholding to be increased when the rules of The Stock Exchange permit.

★

Mr Richard Price has been appointed non-executive chairman of TELIN, the joint company formed by S4C, the Welsh Fourth TV Channel and CIN Industrial Investments, the direct investment arm of the National Coal Board Pension Fund. He is chairman of RPTA, Primetime Television and Primetime Entertainment Inc.

★

Mr David Amery has been appointed a director of R. T. TEMPLE & COMPANY (TAXATION AND INVESTMENT CONSULTANTS).

★

BERKELEY EXPLORATION AND PRODUCTION has appointed Mr Andrew Wilson its chief executive. He is finance director of Elf UK. Since April 1982 he has represented Elf as a non-executive director on the board of Berkeley.

★

Mr R. A. D. Frey has been appointed chief executive of MONTAGU, LOEBL, STANLEY AND CO.

★

MARLEY has appointed Sir Robert Clark as a non-executive director. Sir Robert is chairman of Hill Samuel Group and a director of the Bank of England, as well as a director of several major UK companies including Shell, British Leyland and Eagle Star.

★

Mr Peter Jackman has been appointed technical director of FIRST INERTIA SWITCH.

★

Mr Stewart L. McArthur has been appointed a director of THE TALBEX GROUP. He was previously the managing director of Amway (UK).

★

Mr Simon P. Sherrard is to join the board of BIBBY LINE as managing director on January 1, taking over the executive duties of Mr Derek J. Bibby. Mr Bibby will continue as chairman. Mr Sherrard has been with Jardine, Matheson and Company since 1974, holding executive positions in Singapore, Hong Kong and presently Malaysia.

★

UNITED LEASING has appointed Mr Pelham Allen to its main board as group financial director. Miss Louise Oddy has been appointed company secretary.

★

Mr Alex Dorrian and Mr Jim McHale have been appointed assistant directors of the Computer applications division of YARD.

★

Mr Brian S. Wilkinson has been appointed marketing director of BRC. He was managing director of Gerrard Industries, Rotherham.

Mr M. J. Langton has been appointed managing director of LANGTON UNDERWRITING AGENTS. Mr J. W. Fraser and Mr T. R. Bruce have resigned as directors of Leslie Langton Holdings and associated companies.

★

MILESTONE LEASING has appointed Mr John Brunyate to the board. He is currently general manager. Milestone Leasing is part of the EXCO International Group.

★

CHARLES SHARPE AND CO has made the following changes: Mr Robert Coy and Mr C. Raymond Coy have retired as executive directors while Mr Robert Coy will continue as non-executive directors. Mr E. H. Littlewood, who joined the board has retired as chairman. Both chairman. Mr C. R. Johnson has joined the board. He was manager of the Roots Seed department. He is also chairman of Unikals.

★

Mr Jonathan Baker, previously a senior investment executive of EQUITY CAPITAL FOR INDUSTRY, has joined Mr David Wansbrough as an investment director, while Mr Martin Makey, formerly an investment executive, has become an investment manager. Mr Anthony Rosenberg has joined the company as financial controller and secretary.

NGA head airs merger with bigger union

By Philip Bassett, Labour Correspondent

A LEADER of the National Graphical Association print union is clearly holding out the prospect of a merger with a large, general, non-print union—most probably that of the Transport and General Workers.

In a lengthy article in the union's journal, Mr Tony Dubbins, general secretary-elect, says: "Our immediate objective must remain "one union for the industry"—but time and circumstances may not be on our side."

Mr Dubbins goes into great detail on what may be an imminent merger of the International Typographical Union of the U.S., which has been hit hard by new technology and anti-union attitudes among employers with Teamsters' Union, the U.S. equivalent of the TGWU. He says that mergers of the ITU with other print unions have failed, and that joining the Teamsters would give it "massive" bargaining strength.

He points to "a certain similarity of events," between what has happened to the ITU in the U.S. and to the N.G.A. in Britain—new technology, employers' attitudes—such as those of Mr Eddie Shah in the Stockport Messenger dispute—and the failure, or minimal progress, of merger talks with other print unions.

Mr Dubbins says: "Therefore, if we cannot successfully achieve one union for the industry, we as a union may have to decide whether to attempt to continue on our own, or alternatively give consideration to looking outside the printing industry and seeking some kind of arrangement with one or another of the large general/industrial unions, such as the TGWU, the ASTMS, the EETPU or the FOEU."

British Steel and dockers agree deal at Immingham

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE British Steel Corporation yesterday reached agreement at local level with workers at the Immingham ore terminal on the issue which originally sparked the national dock strike.

The agreement, which has still to be ratified at national level by BSC and by the Transport and General Workers' Union, was reached quickly after the National Dock Labour Board had found BSC to be in breach at Immingham of the dock labour scheme.

BSC made a statement to local dockers' leaders yesterday that it accepted it was in breach of the scheme, though BSC officials would not discuss it in detail until they had received the full judgement from the dock labour board.

BSC also refused to accept accusations b local dockers' leaders that it had knowingly and deliberately provoked the national strike.

Under the terms of the agreement, BSC undertook not to contravene the scheme in future. The dispute after train drivers had blocked the movement of ore in support of the miners' strike. BSC continued to use contractors alone, without scheme-registered dockers shadowing them, to load ore for its works at Scunthorpe.

Now BSC has said it is prepared to train local dockers to use the specialised equipment—mainly mechanical shovels—needed to load the ore into trucks once it has been discharged onto the dock from ships.

Mr John Ibbett, the TGWU docks officer for Grimsby and Ihbingham, said that shadowing took place only when there was a very heavy lift and such specialised equipment was needed. He foresaw no problem with dockers who would in future be working where before they had only been shadowing outside contractors.

It is understood that the contractors' shovelling equipment was transformed to a low loader yesterday and removed from the docks to avert further difficulty.

However, there is a further problem in the area—another breach of the dock labour scheme. This may be one of many since the national strike started and they may have to be resolved before there can be a full resumption of work, even when agreement is reached nationally.

Port managers at Grimsby have brought in casual labour to do the work of the port's fish docks labour force, who have taken part in the national strike.

Employers argue that the fish-dockers are breaking a 1982 High Court agreement under which they would not take industrial action provided vessel owners did not use non-registered labour. The owners say they brought in casual labour only after the registered dockers joined the strike.

Talks will take place locally between the TGWU and the Grimsby Landing Company, but Mr Ibbett said he did not think his union could lift the national strike while the breach at Grimsby continued, even though the position at BSC had been resolved. The principle involved was identical.

Felixstowe dockers come out without taking a vote

David Goodhart on some odd aspects of the national strike hitting ports

AFTER THE mass meeting in Shed 30 of Felixstowe dock yesterday it was impossible to find a single dock worker who supported the decision to come out on strike from midnight last night.

That is doubtless a reason Mr Brendan Lambe, the Transport and General Workers Union convenor, decided not to take a vote. Mr Lambe merely explained the reasons for the instruction, dealt with a few queries, opened the platform to a few other official speakers and then declared the meeting closed.

There were a few grumbles but most of the 800 dock workers present accepted it as a fait accompli. After all, as Mr Lambe explained, it was either come out or be picketed out.

Even the company, Felixstowe Dock aod Railway Co owned by European Ferries, has made clear It does not want to attract the pickets. Indeed, It has been encouraging workers to take a week's holiday with the understanding they can return the moment there is an advance at national level.

At a press conference after the meeting Mr Lambe did little to try to explain away his members' obvious opposition to the strike call.

He said he had already taken the decision for them at the delegate conference earlier in the week. He could not obtain a mandate for the strike because, he said, there was not enough time.

Mr Lambe was, however, in an impossible position. He had already been criticised by colleagues at national level for not bringing out Britain's biggest container port earlier in the week.

All be could do was to repeat to members that if the same breach of the Dock Labour Scheme that had occured at Immingham had happened at Felixstowe the rest of the country would have come out for them.

As Felixstowe is not in the scheme and its success is viewed with more than a little suspicion by London, Liverpool and the other big scheme ports, that seems a little far fetched.

What was most striking about yesterday's decision, however, was the real lack of opposition. The phlegmatic attitude was summed up by an older worker due to retire in three months: "I'm a bit anti-union myself and I've stopped strikes before but I just kept my head down on this."

One group that may try to work on are the foremen and supervisors. They are in a staff section of the TGWU, which allowed them to vote. Yesterday they voted massively against the strike. They will, though, probably not cross picket-lines.

With 27 per cent of all container traffic coming through Felixstowe there could also be a swift knock-on effect on many other companies

Protestors greet Howe at GCHQ

By Our Labour Staff

SIR GEOFFREY HOWE, the Foreign Secretary, yesterday faced angry pickets as he made his first visit to the Government Communications Headquarters in Cheltenham since the Government banned trade unions there earlier this year.

Sir Geoffrey drove through protesting pickets outside the Oakley complex. He was accompanied by Mr Peter Marychurch, GCHQ's director, though no official reason has been given by the Foreign Office for the visit.

Earlier, members of the GCHQ Trade Unions group, who refused to give up their union membership when the ban was imposed, staged a leaflet protest and long queues of workers' cars built up outside the centre.

Mr Ralph Grove, a full-time officer representing the Council of Civil Service Unions, which is co-ordinating the continuing GCHQ protest, said that Sir Geoffrey's visit was to learn of plans to form a staff association.

He said it showed that the staff association was having great difficulty getting off the ground.

On Monday, a High Court judge will declare on the legality of the Government's ban on unions at GCHQ.

● Civil service union leaders last night met Mr Nigel Lawson, the Chancellor of the Exchequer, to press for an increase in the current pay offer to 520,000 white-collar civil servants, which would add 4.55 per cent to the pay bill, but little immediate progress was made.

Pickets descend on Warsop pit

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE STRUGGLE by the North Derbyshire area of the National Coal Board to prove that miners will "drift back" to work found a new battleground yesterday—Warsop Colliery, near Mansfield.

Like its near neighbour, Shirebrook, Warsop is part of the North Derbyshire area but is geographically in the county of Nottinghamshire. Its miners are thus subject to the influence of Nottinghamshire miners, most of who are working—but are restrained from following suit by militant North Derbyshire area leaders.

Nearly 1,000 pickets descended on the pit yesterday to stop fellow miners returning to work. As they crossed the countyl boundary, police tried to hold them back—and a pitched battle developed. The Notts police later claimed fence posts were "used like spears." Two policeman ended the day in hospital, but 40 demonstrators were also injured.

The police lines were unable to contain the surge of pickets: many broke through to join other strikers at Warsop, swelling their ranks to 1,500. However, the NCB buses laid on to bring in the working miners carried about 60 men through the jeering lines. By contrast, Shirebrook—the scene of much violence over past days—had a token force of five pickets.

● A "day of action" in support of miners in the North West resulted in the cancellation of local and inter-city train services—but it otherwise attracted patchy support.

Some 2,000 supporters took part in a two-mile march through Liverpool to an open-air rally at the pier head, addressed by Mr Eric Heffer,

Disagreement halts teachers' pay talks

BY OUR LABOUR STAFF

TALKS on a new pay structure for the 450,000 teachers in England and Wales ended in disagreement yesterday. The main teaching union, the National Union of Teachers, said it had "run into the rocks."

Talks were adjourned indefinitely while the teaching employers examined the unions' "minimum" conditions for a deal on a grading structure.

Mr Doug McAvoy, deputy general secretary of the NUT, said after seven hours of talks: "We have teft the employers in no doubt about our determination to protect teachers' conditions of service."

In the talks the NUT laid down a number of conditions. It:

Was not prepared to accept a restructuring package which included an obligation to carry out lunchtime supervision of children;

Objected to accelerated increments (merit pay);

Opposed a contractual duty to cover for absent-teachers.

The NUT insisted that if there was a redefinition of duties and responsibilities the quid pro quo should be a fixed maximum limit on class size and a guarantee of minimum staffing levels.

● Chief and senior officers in the water industry won a 5 per cent increase in salaries backdated to July 1. All chief officers will be fitted into one of these new bands giving salaries of £31,257 to £35,850. A typical rise is from £20,001 o £21,000.

The 800 workers on canals and waterways won a 4.5 per cent increase with an extra £200 a year for staff with at least two years' service, typical salary up from £5,500 to £5,802.50.

UK CONVERTIBLE STOCK 14/7/84

Statistics provided by DATASTREAM International

Name and description	Size (£m)	Current price	Terms*	Conversion dates⊕	Flat yield	Red yield	Premium† Current	Premium† Range‡	Income Equ§	Income Conv¶	Income Div♡	Cheap (+) Dear (−)◊ Current
British Land 12pc Cv 2002	9.60	372.50	333.3	80-87	3.2		−2.8	− 7 to −2	27.8	30.3	0.7	+ 3.5
Hanson Trust 9½pc Cv 01-06	81.54	309.50	160.7	85-01	3.2		−3.7	− 9 to 2	168.9	73.2	−29.8	−26.1
Slough Estates 10pc Cv 87-90	5.03	267.50	234.4	78-85	3.7		−8.7	−11 to −1	13.7	4.7	− 3.1	+ 5.6
Slough Estates 8pc Cv 91-94	24.72	118.00	97.5	80-88	6.8	4.9	−3.2	− 5 to 2	22.2	22.6	0.3	+ 3.5

* Number of ordinary shares into which £100 nominal of convertible stock is convertible. † The extra cost of investment in convertible expressed as per cent of the cost of the equity in the convertible stock. ‡ Three-month range. § Income on number of ordinary shares into which £100 nominal of convertible stock is convertible. This income, expressed in pence, is summed from present time until income on ordinary shares is greater than income on £100 nominal of convertible or the final conversion date whichever is earlier. Income is assumed to grow at 10 per cent per annum and is present valued at 12 per cent per annum. ¶ Income on £100 of convertible. Income is summed until conversion and present valued at 12 per cent per annum. ♡ This is income of the convertible less income of the underlying equity expressed as per cent of the value of the underlying equity. ◊ The difference between the premium and income difference expressed as per cent of the value or underlying equity. + is an indication of relative cheapness. − is an indication of relative dearness. ⊕ Second date is assumed date of conversion. This is not necessarily the last date of conversion.

SAVINGS OFFERS

THE WEEK IN THE MARKETS

Under clouds of dollar and docks

What a week. The all-conquering dollar continued to grind sterling downwards despite the previous Friday's base rate rise to 10 per cent. The call for a national dock strike went out on Monday, and by Tuesday equities were facing persistent selling from the institutions.

The inevitable happened. On Wednesday the banks were again jacking up their base rates, this time to 12 per cent, and the building societies followed suit yesterday with an increase to 12¼ per cent.

The dock strike has hit the equity market like a blow to the solar plexus. Immediately, analysts were digging through dusty old files to refresh their memories on what happened last time round in 1972. The final impact depends on how long the dockers intend to sit out a strike but perhaps the jump in interest rates and lower pound will have a more significant impact beyond the initial damage to sentiment.

Consumer orientated stocks may be the first to suffer, for a mortgage rate of 12¾ per cent could chop a significant slice off discretionary spending. If there is any silver lining to be found within the interest rate cloud, it is that the corporate sector is no longer heavily borrowed and the impact on earnings will not be so pronounced as was the case in 1981 when interest rates also rose sharply.

Also it is worth pointing out that companies make roughly half their profits overseas—a weak pound will boost foreign earnings on translation—and a fall in the exchange rate should help to boost exports and put a brake on imports.

That said, the market is going to have to set lower sights for corporate profits growth if interest levels stay up at these levels for anything more than a brief run. Equity prices may not have found a new floor yet.

Hunting insurance

For months the market has been convinced that predators from overseas were prowling around the British insurance sector. Allianz Versicherung of West Germany was the name on most people's lips as a likely

LONDON
ONLOOKER

hunter following its failure to land Eagle Star. Phoenix Assurance shaped up as most City folks idea of fair game.

So imagine the surprise when Sun Alliance announced late on Wednesday evening that it had struck an agreed offer with Phoenix valuing it as close to £400m. The key to the deal is the desire by Phoenix's largest shareholder, Continental Corporation in the U.S., to dispose of its 24.3 per cent stake. What had been regarded as a first line of defence was turned into a vehicle for a potential bidder to gain a substantial beach head. Fortunately for Phoenix, Continental gave the British group the option of finding a buyer. Sun Alliance had approached Phoenix a couple of years before and it fitted the bill nicely as a white knight.

Sun has bought Continental's stake for £96.5m and is offering other shareholders 650p a share. On the face of it, these are reasonable terms. The price is pitched at a 19 per cent discount to Phoenix's net assets which compares to the 12 per cent discount that Eagle Star was valued at when it finally fell to BAT. Yet that differential may be justified on the grounds that Phoenix does not enjoy the same high profile that Eagle could claim in some segments of the market. The exit earnings multiple is around 20 which is a clear 6 points above the sector average and seems fair — although Phoenix is expected to show some good growth in the next few years, and there is presumably room to improve its returns.

So while Sun's terms cannot be labelled as mean, neither do they preclude a rival bid. And Sun's 24 per cent holding does not ensure success either. Allianz started the bidding for Eagle with a base of 29 per cent, but still failed to win the day.

Cash for chips

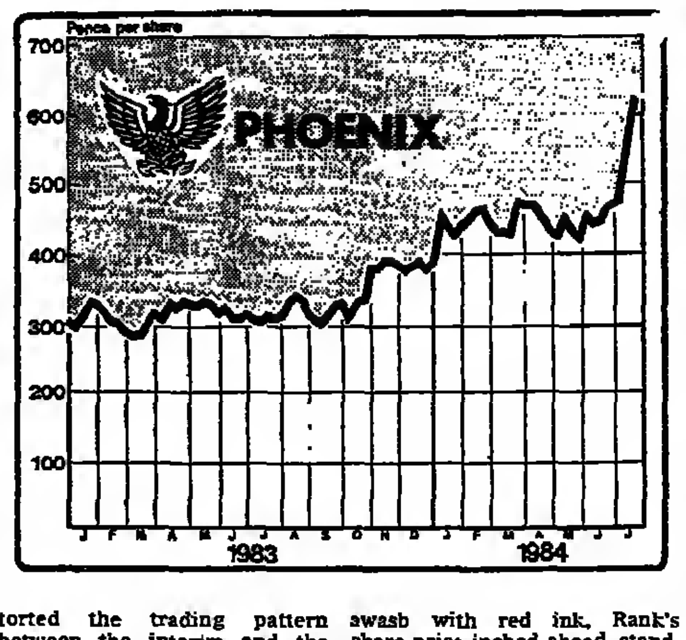
The future of Inmos has been decided. After months of uncertainty while the Government debated the merits of a public flotation for the microchip manufacturer or a straight sale to a third party—American Telephone and Telegraph had tabled a £58m offer—Thorn EMI has stepped forward, chequebook in hand.

Thorn is paying £96m for the Government's 76 per cent holding and offering similar terms to the other shareholders. Undoubtedly Thorn is the Inmos board's idea of a white knight. AT & T was only interested in Inmos' production facilities and would have broken the group up. But the stock market was less enamoured with the deal. Even if Thorn asserts that it is not buying Inmos on the rebound after being rebuffed by British Aerospace, there are City fears that its corporate plan is looking a bit hazy.

After six years of losses Inmos made a small profit in the fourth quarter last year, and the company is forecasting £15m this year. On that basis Thorn's price looks keen—the exit p/e is under 10—but chip manufacturers are volatile animals and in cash terms they can give an adequate impression of a "corporate black hole."

If Inmos' profits went sharply into reverse, Thorn's balance sheet might feel the strains. The bidder's capital gearing is already around 50 per cent and borrowings are still rising, even before taking into account the Inmos purchase. Of course Thorn (and the City) is looking towards the day when its expanding video rental operations turn into a money spinner, but that is still some time off.

Meantime management credibility has taken a sideways knock in recent months sparked by the BAe approach. And prospects for a group so close to the sharp end of consumer spending are shrouded in uncertainty. The full year profits of £156.8m against £122m, announced this week, were well up to estimates but that is all history.



Excusing Imperial

If the market liked the Thorn EMI figures but took a jaundiced view towards the future, the reverse held true for Imperial Group which reported on the same day. Pre-tax profits for the midway stage of the year at £90.7m compared to £79.1m were a good £5m short of expectations. But the directors were able to disarm the critics with a set of straightforward explanations and a reasonably optimistic statement over future profits.

Although the rapid growth of the last couple of years could not be maintained, Mr Geoffrey Kent, the chairman, told shareholders he was hoping for a significant increase with a second half growth rate similar to that of the first. For the year profits of £220m look likely.

The excuses for the dull first half ran something like this. Trade buying last October, ahead of the 2p a packet price rise, took the edge off sales in the following months and distorted the trading pattern between the interim and the previous six months. Tobacco sales in the half year fell 3 per cent to £1.17bn and bearing in mind there was another 2p price lift in January, volume has obviously taken a knock though market share has evidently been held.

Another reason for the indifferent first half was to be found in the brewing and leisure division. Stripped of profits on property disposals, the division was going nowhere fast in the half year despite an increase in beer sales. The explanation is that a substantial investment in pubs, restaurants and hotels has upset short term profits performance.

The explanations all seemed sound enough—but there was one feature which could not be so easily dismissed, in the shape of the increased losses from Howard Johnson.

HoJo's usual trading pattern tends to mean that it hovers around the break-even mark in the first half, but the performance is yet another reminder of what a disappointment this acquisition has been. Before the management springs any more acquisitions on the market, it really has to show that it has got the U.S. right.

Overall the City was willing to give the relatively new management team at Imps the benefit of the doubt—a favour that the new men at Rank Organisation did not need to ask.

Top Rank

This week was the first real chance for the new management at Rank Organisation to show what it can achieve—and it lived up to the challenge. With analysts talking about profits of £40m to £42m for the half year to May, Rank unveiled a 27.5 per cent rise pre-tax to £47.8m. In a day when the market was awash with red ink, Rank's share price inched ahead, standing out like a bright beacon.

Most impressive of all was the sharp upturn achieved by companies directly controlled by Rank. These chipped in a record £21.8m at the trading level, an increase of 66 per cent over the comparable period. The rationalisation programme which involved a string of closures and disposals is clearly beginning to bite. There is £2m or so of loss elimination in Australia and North America has swung round into the black. London hotels enjoy a small boom while Top Rank Bingo and motorway services played their part too.

Meantime the contribution from Rank Xerox was more or less as expected. After last year's downturn nothing exciting was anticipated from the photocopier associate and in the event a £1.6m trading improvement to £36m was just about up to the mark. The second half should be better as the new Series 10 machines make their presence increasingly felt.

With around £100m as a likely target for the full year against £69.3m pre-tax, those institutional shareholders who orchestrated last year's management shake-up should be feeling reasonably relaxed about the chain of events. Nevertheless they are no doubt more than keen to hear how Mr Michael Gifford, the new chief executive, plans further to rationalise the group's portfolio of activities.

He was offering some broad hints this week. Disposals in the opening six months realised £46m and a similar figure seems likely for the closing six months. The hotels look likely to be reprieved after their recent buoyant performance but the same could not be said of the property interests, estimated to be worth the thick end of £160m.

Terry Garrett

MARKET HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1984 High	1984 Low	
F.T. Govt. Sec. Index	76.74	−1.05	83.77	76.44	Dearer credit and labour problems
F.T. Ind. Ord. Index	770.7	−48.6	922.8	770.3	Dearer credit and labour problems
Assoc. Newspapers	425	−75	510	395	Interim results disappoint
Barratt Developments	90	−8	188	86	Increase in mortgage rates
Bass	342	−36	393	300	Consumer spending fears
Bryson Oil & Gas	453	−72	715	205	Weak Irish oils
Bulmer (H.P.)	140	−50	233	140	Profits warning
Burton	214	−39	298	212	Consumer spending fears
Cifer	35	−8	126	25	Recent results & redundancies
Espley	32	−13	97	28	Nervous selling awaiting report
Fleet Hldgs.	167	−18	197	135	Fading bid hopes
Fobel Int'l.	43	−19	136	42	Withdrawal of speculative support
Haslemere Estates	466	−34	508	464	Disappointing annual results
Hinton (Amos)	320	+57	320	237	Recent merger approach
Imperial Group	139	−16	170	134	Int. profits below expectations
Magnet & Southerns	114	−30	180	106	Disappointing preliminary figs.
Petranol	395	−110	650	149	Profit-taking/acquisition
Phoenix Assurance	620	+148	655	370	Agreed bid from Sun Alliance
Sun Life Assurance	630	+35	692	545	Bid speculation
Thorn EMI	463	−60	698	448	Results/Inmos acquisition

Take-off is delayed

WHERE, OH WHERE, is the summer rally? Wall Street, with its eternal optimism, has been forecasting a recovery in the stock market for several weeks on the grounds that it usually gives a little spurt around now. But as time rolls by, and the prognosticators keep pushing back their expected take-off day, the forecast begins to look more and more forlorn; and as news of the ITT dividend cut dropped out of the blue on the

NEW YORK
TERRY DODSWORTH

market this week, it began to look a very long way away indeed.

ITT has made a brave move, hacking away 63 per cent of its dividend to bring it tumbling down from 67 cents a quarter to 25 cents. The consequences became immediately apparent on Wednesday, as the group's stock fell like a stone from $27¼ to $21¼, knocking the company's market capitalisation back to around half its book value. As a result, the company which in its go-go year made itself into possibly the most feared corporate predator of all times, is now being seriously canvassed as a possible takeover candidate itself. So much for courage.

Whether the market will have second thoughts on ITT once the initial shock is over (E. F. Hutton recommended the stock only this week and predicted the dividend was secure), is another matter. The company justified the decision on the grounds that the cash it would conserve would help provide the investment funds necessary to stay in the high technology race—a problem which has arisen because one of its biggest cash cows, The Hartford Insurance group, has been battered to its knees by the crisis in the industry.

For the time being, investment managers who have long bought ITT mainly for its yield—until this week honoring at almost 9 per cent—were hardly convinced by this argument. And Wall Street was entirely stunned by the bombshell. In its present uncertain state, virtually any unpleasant turn of events is capable of knocking the market sideways, and on Wednesday, the Dow Jones Industrial Average duly staggered back by 18.33 points to 1,108.55, while ITT's misfortune injected a distinct note of caution into expectations for second quarter profits.

As Hartford's difficulties underlined, one of the market's problem sectors is the insurance industry, where executives have been calling the turn for at least the past two years while sinking yet deeper into trouble. The fact that hyper-competition and uneconomic pricing are still ravaging the industry was further underscored this week in Continental Corporation's decision to sell its 24 per cent stake in Phoenix in the UK. The move follows a trend of asset redeployment in the group that has realised some hefty capital gains in the last 18 months, generating enough cash in the process easily to cover its dividend.

Another shaky sector, banking, also began to pour out second quarter results this week, leaving the market neither more nor less encouraged about its ability to batter its way through the third world debt crisis.

According to Salomon Brothers, the price/earnings ratio of the leading banks now stands at an average of only 6, around three points lower than the general market. Citicorp, for example, the world's largest commercial bank, has a lowly p/e of 4.9 and a highish dividend yield of 6.7 per cent at current prices; and at Manufacturers Hanover Trust, investors are demanding a yield of 13 per cent, while according the company a miniscule p/e of just 3.2.

Results from the manufacturing sector have also turned out to be reasonably predictable so far. General Electric came in with an 11 per cent increase on a year ago, which was regarded as slightly disappointing by some analysts, while Westinghouse, its main competitor in the electrical industry, produced a 33 per cent jump. United Technologies, the fifth largest U.S. manufacturing group, with a finger in virtually every high tech sector, has further indicated the robust health of hard core industry by announcing a 21 per cent increase.

But the market seems to have discounted most of this good news—and no wonder. For the last two weeks, the relentlessly rising dollar has been posing different, more long term questions about the U.S. economy than those that are being answered by the current increase in corporate profits.

The strength of the currency suggests that investors all over the world believe U.S. interest rates are either going up, or staying at their present lofty heights for some time. Equity yields now stand at around 5 per cent, against the 11 per cent and up investors can receive just for parking funds in six month certificates of deposit. Profits (and dividends) would need to show an enormous strength to bridge that gap.

MONDAY	1134.05	+11.48
TUESDAY	1126.88	−7.17
WEDNESDAY	1108.55	−18.33
THURSDAY	1104.57	−3.98

It depends on where you are

"HOW'S business?" asked the stockbroker.

"Not so bad, not so good," replied the jeweller.

"I should be so lucky," said the broker ruefully.

"Trouble is," continued the jeweller, "the manufacturers are still having to pay too much for their gold. That hits my prices and the customers are more choosey about what they will pay these days." "Diamonds aren't coming any cheaper, either," he added.

"What on earth are you talking about?" snapped the broker whose patience, like that of his many clients who were reluctant holders of gold shares, was wearing a little thin these days.

He immediately regretted speaking to his friend in this manner and so he said, more kindly, "Hymie, the gold market has fallen out of bed this year. Why, the price of gold was recently down to a two-year low of under $340 an ounce and it's not much better now. In March it was over $400."

He went on: "Everybody in the sharemarket will tell you that the gold price is depressed. So where have you been living this year?"

"Hatton Garden, England," answered the jeweller simply. "And when I say that gold has not come down very much, I'm saying what my brother David in Johannesburg is saying and what the gold chain manufacturers in Italy say."

"OK," he continued, "so the price in dollars has dropped $60 since March. But in sterling, which is what matters to me, it has only come down £12 to £261 an ounce or almost what it was at the beginning of the year."

"Exchange rates, of course," said the broker apologetically, "I should have known."

"Exactly," replied the jeweller. "The pound is weak or the dollar is strong. What's the difference?

MINING
KENNETH MARSTON

ference? All that matters is that the dollar has been rising in value against pretty well all the other currencies.

"So when anybody outside the U.S. wants to buy something that is priced in dollars, such as gold, they lose out on the exchange rate."

"Still," said the broker philosophically, "it's good news for our tourist trade with planeloads of U.S. visitors descending on London, happily clutching fistfuls of cheap pounds."

"They're not so happy when they see some of our prices," muttered the jeweller, darkly.

While this bittie conversation was going on in London, the annual statement of Mr Gavin Relly, chairman of Anglo American Corporation was being published in Johannesburg.

Gold ranks high among the many interests of the South African mining, finance and industrial group. Just as well, too, because Mr Relly pointed out that the rise in distributable profits for the year to last March, and thus in the dividend, was mainly a result of the increased dividends received by Anglo from its gold interests.

What of the current year? Mr Relly played his cards close to the chest. After all, who can seriously forecast the near-term outlook for gold these days?

Last year the South African mines received an average rand price of R474 per ounce, 15 per cent up on 1982. They have not done too badly this year, thanks to the alchemy of exchange rates which has turned a falling dollar gold price into a rising rand price.

At present the price in South African money is over R500 per ounce and the June quarterly reports from the seven gold mines in the Consolidated Gold Fields group show that their total net profits in the quarter have risen to R191.6m (£98m) from R169.3m in the previous three months.

So far, so good. But why have South African gold shares been so weak in recent times with the Gold Mines Index dropping from 711.5 in early June to its present sad 549.2?

Basically, the reason is that they were over-priced in the first place and, exchange rates or not, the falling dollar price does not help market sentiment.

Nor does the fact that, as far as one can tell, there is no obvious reason for the dollar price to rise in the near-term while U.S. interest rates and the value of the dollar seem set to remain high pending the U.S. presidential election in the late autumn.

There is also the expectation that mine costs, which were held down to a creditable increase of some 8 per cent last year, are about to inflate. The white miners have been given a wage increase of 10 per cent from May 1 and the black miners have now been granted a rise of about 14 per cent pending the outcome of the current dispute.

Wage costs in this labour-intensive industry account for over half of the total working costs.

A fall in the value of the U.S. dollar and a reduction in interest rates would help the market for diamonds. It is moving up quite nicely with interest broadening from the relatively cheap goods into the higher medium qualities.

The recovery, however, cannot be regarded as strong until buyers return for the large and expensive gem stones, the annual output of which is reckoned to be less than that of Jaguar cars, and in the cases of many stones, in a similar price bracket.

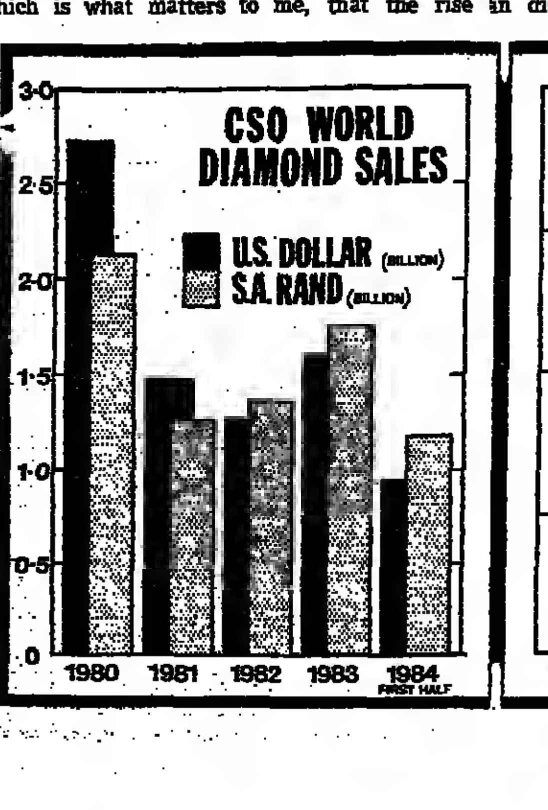
For the time being, though, it is a case of "Jags before gems" with diamonds having to compete with other luxury goods in the important U.S. market after the long period of recession.

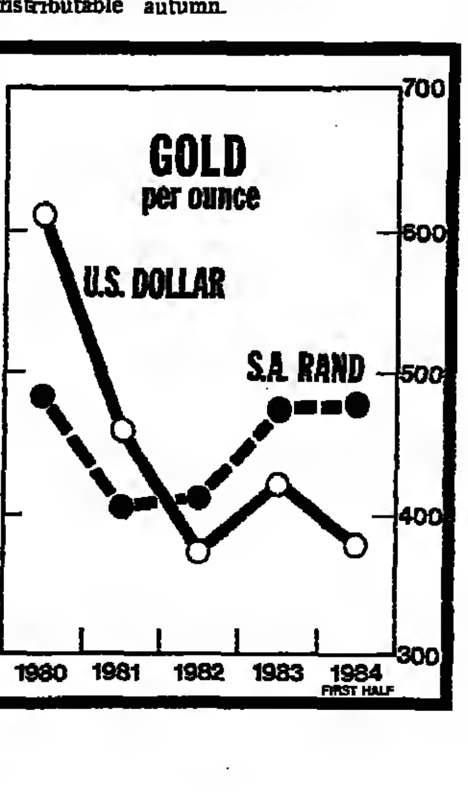
Still, the world figure announced this week for sales of rough (uncut) diamonds handled in the first half of this year by De Beers' Central Selling Organisation makes a good showing, especially as it does not fully reflect the continuing strength of retail demand for the polished product.

In terms of U.S. dollars the first half sales amount to $945m, an increase of 7 per cent on the first half of last year. Here again, exchange rates exert their influence because the equivalent figure in South African rands is R1.18bn, an increase of 23 per cent on a year ago.

In the accompanying chart, which shows the effect of changes in the rand-dollar relationship, it is interesting to note how the rand equivalent of dollar diamond sales has now become the larger of the two figures. Previously it was the lesser.

● Dr William James, chairman of the nickel and copper-producing Falconbridge and president of the Mining Association of Canada has said that if the value of the Canadian dollar rose to equal that of the U.S. dollar "the mining industry in Canada would be virtually bankrupt."





Living on a cold meat pie

BY ALISON HOGAN

A FROZEN meat pie may not appear to be the most savoury subject at the end of another indifferent week for the Unlisted Securities Market, but it could prove a sustaining story for present and prospective USM companies.

The British are buying frozen uncooked meat pies and other savoury pastries in increasing numbers. Freshbake Foods, which came to the USM in September, has become the volume leader in this particular sector having almost doubled market share to around 16 per cent last year.

It is achieving margins on manufactured products of around 7 to 8 per cent compared with the couple of per cent achieved by one of its competitors Baughan's Foods which Freshbake last week announced it is to acquire.

The proposed acquisition of Baughan, a subsidiary of Ranks Hovis McDougall, and Muirson Food Brokers International for a total of £5.2m is a shrewd move which increases Freshbake's capacity by around 50 per cent and could boost turnover of the combined group by 80 per cent from £31.2m in the year to March 1985, including the internal growth of the existing businesses.

If the Freshbake management can repeat the same dramatic improvement in volume throughput and margins which has been achieved with the present businesses following the management buy-out from Thomas Borthwick in May 1981, then shareholders should see only a slight dilution in the value of their shares this year.

Freshbake's finance director Ronald Waterhouse said the company could not have made the acquisitions without the public quotation it got last year.

"We will continue to achieve organic growth, but we said at the time of the flotation on the USM that we would be looking for suitable acquisitions," he said.

"Baughan and Muirsons are both very complementary to our existing businesses and we are absolutely certain we have got the management expertise to integrate them successfully into the group."

Baughan produces similar products to Freshbake but concentrates more on sales to the catering trade. The capacity of its factories with EEC licences

Unlisted Securities Market

will release production facilities at Freshbake's Sittingbourne factory to increase levels of sales to the retail trade.

Baughan also produces frozen dough and doughnuts, a new area for development for Freshbake aimed mainly at the in-store bakeries of large supermarkets including Asda.

Muirsons is complementary to Freshbake's Chef Foods division which markets frozen vegetables, fish products and fruit to most major retail food groups in the UK and Eire and a number of catering outlets.

Muirson also brings a couple of profitable agency commissions for the sale in the UK of frozen chips for the Dutch company Farm Frites, and battered onion rings from Golden Snacks in Spain.

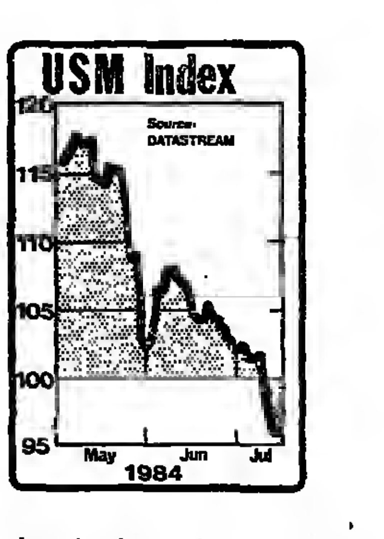
The company brought in Scrimgeour Kemp Gee as joint stockbrokers with Paul E. Schweder, Miller to assist with the vendor placing of just over 6m shares as consideration for the acquisitions.

The directors John Taylor and Kenneth Manley who originally sold Freshbake to Borthwicks and subsequently led the management buy-out, were keen to keep control of the company when it went public. This was one of the reasons they chose to come to the USM where a smaller market in the shares is allowed than for a full listing where a minimum of 25 per cent of the equity is the rule.

The vendor placing has the effect of widening the market and dilutes the directors' stake from 72 per cent to 58 per cent where they are still safely in control.

The marketability of their shares will now meet the Stock Exchange requirement for a full listing and the company hopes to move up to the main market as soon as possible. It must, at the minimum wait until it has completed one year on the USM in September.

The job of Freshbake's stockbrokers in the coming months is to widen investor awareness of the company and its prospects so that it can take the move to the more sedate mature market without tarnishing its earnings rating, presently around a historic p/e of 15. Certainly shareholders appear to approve the recent acquisitions and the share price, despite the poor general market performance this week, has not slipped below the 91p vendor placing price.



Barometer of sentiment

LIMITED marketability of a company's shares is one of the major difficulties facing the USM, according to stockbrokers Hoare Govett. They have just published the first of what is to be a monthly review of current opinions on the USM, as part of their USM market service.

They reveal that so far this year the average proportion of stock released on flotation has been around 26 per cent. The actual amount in public hands rises to an average of 36 per cent (free capitalisation of £0.97bn against a total capitalisation of £2.7bn for 254 companies.) This includes all rights issues and the release of equity by management after the lapse of issue agreements.

The narrow market and small total market capitalisations of many stocks has been an important factor behind the very fancy p/e attached to some shares. It is interesting to watch as the USM matures how companies like Freshbake, time acquisitions and the release of more shares, with the intention that improving growth prospects will sustain the level of earnings and hence investor enthusiasm. Freshbake now has three years of profits under its belt since the management buyout. It recently announced pre-tax profits of £1.56m for the year to March and should make around £2.5m in the current year including eight months of the new acquisitions.

While the market continues to slip, passing down through the 100 level this week, the lowest since December 1983, investors are going to become increasingly discriminating as this week's new arrivals illustrate.

Bush Radio and Pacific Sales both opened at only a 1p premium to the issue price whilst Mayfair & City opened unchanged at 100p. TDS Circuits, which was oversubscribed at the 380p offer price, has settled down around its opening level after briefly touching 400p.

Hoare Govett, who continue to be enthusiastic proponents of the USM nevertheless say that they are not entirely happy with the quality of some recent new issues.

The reception that the market accords to software house Compsoft's offer for sale by tender will prove an interesting barometer of sentiment. A year ago, it would have had no difficulty in selling its shares on a PE of 25.6.

The decision to choose the tender method and stick to the rating could be described as either brave or foolhardy on the part of Kleinwort Benson and brokers Laurence Prust. If the company is successful, and it certainly has many of the attributes of the better USM technology stocks, then it should prove a great spur to the market.

Otherwise, a retreat to even more placings, largely with institutions, seems inevitable resulting in even less work for the jobbers who make a market in USM shares, and fewer opportunities for the small investor to get a look in.

Bank charges for a deed box

FINANCE AND THE FAMILY

BY OUR LEGAL STAFF

Our bank keeps our deed box for us, a most helpful service which we much like. Recently it affixed a form letter to the box advising us to insure any valuable contents. I replied (by another label) that I had insured appropriately. There was no charge for many years but since January 1983 I have been debited £8.63 and (just recently) £10.35. I understood that when a bank did not charge it was a "gratuitous bailee" and so was exempt from responsibility. Has the law been changed? If not, does not the charging render the bank liable for any loss or damage?

There has long been some doubt whether a deposit in a deed box at a bank is a gratuitous bailment or bailment for reward. The duty of a bailee for reward to take care of the goods lodged with him are more onerous than where the bailment is gratuitous. We are not aware of any recent change in this aspect of the law: the circumstances of the original bailment will determine whether or not it was gratuitous. We doubt if the bank ought to have imposed a charge without first advising you of its intention to do so and giving you an opportunity to lodge your documents (and transfer your account) elsewhere.

VAT on house alterations

During 1981 and 1982 I had carried out works which involved felting and re-slating a previously un-felted roof, injecting a chemical damp proof course in solid stone walls and replacing a wooden floor with a solid concrete floor. The work was extensive and costly, and included VAT on much of the work.

I have most of your published replies to letters in 1983 and in many cases your answers would seem to indicate that VAT is not payable on any of the expense (direct or associated) when there is some alteration.

When the Viva Gas Appliances case was settled in the House of Lords I decided to try and sort the matter out with H.M. Customs and Excise.

Two points emerge:

The House of Lords ruling changed the VAT liability on alterations. I claimed this was a change in the interpretation of the Law and therefore applied to all prior expenditures. H.M. Customs and Excise say no, only on expenditure from 24.11.83.

Are they right?

Where there is an alteration carried out (i.e. felting a roof where there was no felt before and putting in solid floors to replace wooden) could the alteration (and hence Nil VAT) be put aside because it included altering something which needed repairing?

Our view is that providing no decision has been made by the Customs and Excise regarding your particular case before November 1983 you can use that case to help you to qualify for zero rating.

The answer to your second question is that the old VAT law provided that an alteration of a building did not include any work or maintenance or repair.

We suggest that you ask the Customs and Excise the authority in law for their statement that pre November 1983 work is not affected by the Viva Gas case. You might find it interesting to read the explanatory leaflet issued by the VAT Tribunal regarding the appeal procedure. Your local VAT office will be able to supply a copy.

Water in the ceiling

I live in a block of some 80 flats and the owners, like myself, are long-leaseholders. We have a service and maintenance account which is paid by the owners in agreed equitable proportions according to their rateable values.

If a fault occurs in the roof as a result of which there is water penetration, it is agreed that the cost of the repair to the roof is charged to the S&M account.

My query concerns consequential damage caused by the water penetration which necessitates a ceiling or a wall being partly redecorated.

Should the cost of the redecoration be paid by the S&M account or the owner of the flat which suffered damage?

We think that the cost of redecoration of a flat caused by want of repair to the roof would fall on the individual flat-owner except where notice of the defect has been given to the lessor and he has failed to repair within a reasonable time of being given such notice. In that case the liability, or part of it, may be thrown on the lessor (or on to the S&M account if delay in repair was attributable to those managing that account).

Furnished letting

I am about to purchase a small flat through a housing association in Lancashire. It may be used by my husband and myself after our retirement in five years' time, but at present it is being acquired at a relatively cheap price for the purpose of letting. It will be financed entirely by myself through a bank loan, as my husband does not wish to be involved at present. Can you tell me, please, if I am entitled to claim tax relief on the interest I pay on the bank loan? (I am in full-time employment). The flat will be let furnished, probably on a yearly basis—or some other renewable contract of quite a long duration.

In principle, the answer is that the interest will be deductible from the furnished letting assessments, year by year. You will find general guidance in two free booklets, IR11 (Tax treatment of interest paid) and IR27 (Taxation of income from real property), which are obtainable from most tax inspectors' offices.

Protecting the house

The freehold property in which I live is unencumbered by mortgage loan and stands in the joint names of my wife and myself.

The property does not figure directly or indirectly in my statement of means for the purposes of my Lloyd's membership and I am anxious to protect it from any Lloyd's debacle which might affect me. Could you recommend a simple and inexpensive way of transferring title to the property to my wife alone?

Your simplest course is to assign to your wife your equitable interest in the house, but as a voluntary disposition that would be capable of being set aside in the event of your insolvency. If you sell the interest to your wife at the market price the transaction could not be impugned.

Doubly resident

Would you please let me know if I would be liable for (British) tax if I purchased Irish Government Stock, had dividends payable in an Irish building society and periodically made withdrawals from the building society into my bank current account here. I currently earn £9,000 here annually and pay the normal income tax for a single person.

Yes: even if you are domiciled in the Irish Republic, your Irish interest (including the building society interest) will be fully taxable in the UK, regardless of whether it is remitted to the UK, unless by chance you are resident in *both* countries. If you are doubly resident, then articles 4 (2) and 12 of the Ireland-UK double taxation convention may let you off the UK tax hook. In a local reference library you should find a copy of the convention in, say, volume 5 of the British Tax Encyclopedia or volume F of Simon's Taxes.

CGT on Eurobonds

I recently returned to the U.K. having been "not resident and not ordinarily resident" for some 12 years.

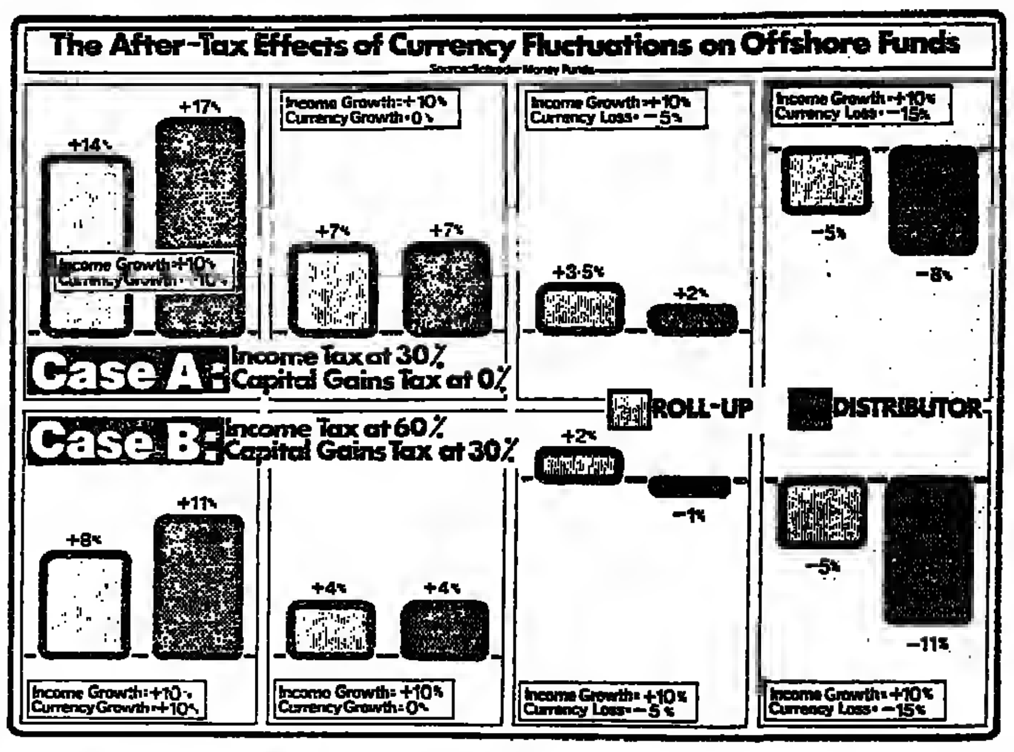
During the time I was away I bought Eurobonds in $ and DM, the Sterling value of which has changed as a result of exchange rates.

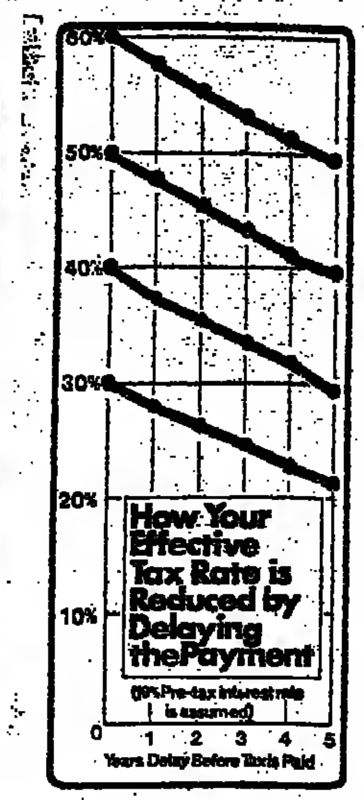
Can you please advise me how CGT affects the currency appreciation and if CGT is applicable what would the position be if I switch from one Eurodollar bond into another?

When you sell a bondholding (regardless of what you do with the proceeds), the chargeable gain will be calculated by subtracting from (a) the sterling equivalent of the proceeds, at the rate of exchange on the sale contract date, (b) the sterling equivalent of the original cost, at the rate of exchange on the purchase contract date, multiplied by the RPI for the sale contract month divided by 313.4, if the bonds were purchased before April 6 1981. If the bonds in question were purchased in 1981-82 or later, the divisor will be the RPI for the anniversary of the purchase contract month.

This is only an outline of the intricate CGT rules.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.





Offshore Funds

Tide turns—should you?

CLIVE WOLMAN begins a series on the attractions of overseas investment

LESS THAN a year ago British investors were withdrawing mountains of cash from their banks and building societies and sending the money across the Channel to Guernsey and Jersey.

Nearly £1.5bn disappeared into the vaults of offshore funds as the good news spread around about the returns they were offering.

In recent months, however, the tide has been flowing the other way. Investors have been taking their money, more than £1bn of it, back home, and the Jersey potato-pickers have had to return to picking potatoes rather than processing cheques in the air-conditioned offices of banks.

The explanation for this reversal of fortunes is to be found somewhere in the nooks and crannies of clauses 90 to 97 of the Finance Bill now passing through its final Parliamentary stages: "Notwithstanding anything in section 85 of the principle Act (exchange of securities for those in another company) in any case where—(a) a company which is company B for the purposes of subsection (1) of that section is or was at the material time . . ."—and so on.

The attraction of the offshore roll-up funds was that the interest they paid out was dressed up in the form of a capital gain and thus not subject to income tax. This enabled the funds to offer post-tax returns well above those of building societies, gilts or National Savings.

The provisions in the Finance Bill mean, however, that all the gains registered by offshore funds are now to be taxed as income.

Many believed that this action by the Government would be a deathblow to all forms of offshore investment—and not only to the cash "roll-up" funds, which were used to substitute for bank or building society deposits, but also to currency funds, commodity and futures funds and offshore unit trusts. These types of funds were set up offshore less for tax reasons than to escape the restrictive Government regulations restricting investment funds.

The Finance Bill however makes two major concessions in its taxation of offshore funds.

The series on these pages beginning this week is intended to explain some of the remaining advantages of the different types of offshore fund, and the ways in which it is possible to make use of the tax concessions.

The first concession is that, unlike with other forms of savings and investment, no tax is payable on the gains from an offshore fund investment until the investment is cashed in.

This ability to defer income tax in this way is particularly useful if you are likely to be in a lower tax bracket when you need to withdraw your investment. This may be because you are due to retire within a few years or because you intend to work and live abroad for at least three years, when you should be able to avoid the tax altogether.

But even if your tax bracket is unlikely to change, deferring tax still has an advantage. As long as the money remains in your hands and out of the taxman's, you can be earning interest or some other form of return from it.

How this advantage works is shown on the adjacent graph, prepared by Schroder Money Funds, the Jersey subsidiary of the merchant bank J. Henry Schroder Wagg. The longer you leave your money in the more substantial the effect.

Thus offshore roll-up funds can be a particularly attractive long-term investment over say, 15 years when the effective tax rate will be, for a 30 per cent taxpayer, about 10 per cent and, for a 60 per cent taxpayer, 33 per cent.

The other concession made by the Government is that funds which distribute all the income they earn instead of "rolling" it up within the fund may be granted an exemption from the tax charge by achieving "distributor" status. This means that any "genuine" capital gains they make will not be taxed as income.

This provision may be particularly useful for currency funds, which form the subject of next week's article. If a currency fund makes a gain due to exchange rate movements, the gain will not be taxed as income. Thus it can be advantageous for a distributor fund to invest in currencies which offer low interest rates, for example the Swiss franc, because they are likely gradually to rise in value against most other currencies.

However, distributor funds do not allow you to defer tax in the way that "roll-up" funds can do. And "roll-up" funds have further advantage as vehicles for investing in volatile and risky assets like currencies. If the fund suffers a loss in one year, this loss can be offset against previous or future rolled-up income for tax purposes, because only the net gain is liable to income tax when your investment is withdrawn.

By contrast, a loss suffered by a distributor fund cannot be used to reduce any income tax liability, not even the tax on income from the fund. As the graph shows, a roll-up currency fund will tend to show both smaller gains and smaller losses post-tax than a distributor fund.

YOUR SAVINGS AND INVESTMENTS

How a child can beat the taxman

Tax and the Family

DAVID COHEN explains the most tax-effective ways of paying for a child's maintenance

IF ASKED for an opinion, a conscientious tax consultant would probably advise his clients to stay single but have plenty of children. In contrast to wives, children enjoy important tax breaks which, if properly exploited, can cut the overall family tax bill.

From the moment of birth, a child is treated as an independent person for tax purposes, separate from his parents. This means that he has all his own allowances, exemptions and lower rate tax bands. So tax can be saved by channelling income and capital gains from highly taxed family members to children.

Consider the hypothetical family whose family tree is shown below. Grandpa Rich and his son Mr Rich are both 60 per cent income taxpayers and have substantial amounts of capital. But Mr Rich's young son Jim owns only a few premium bonds and the contents of his piggy bank.

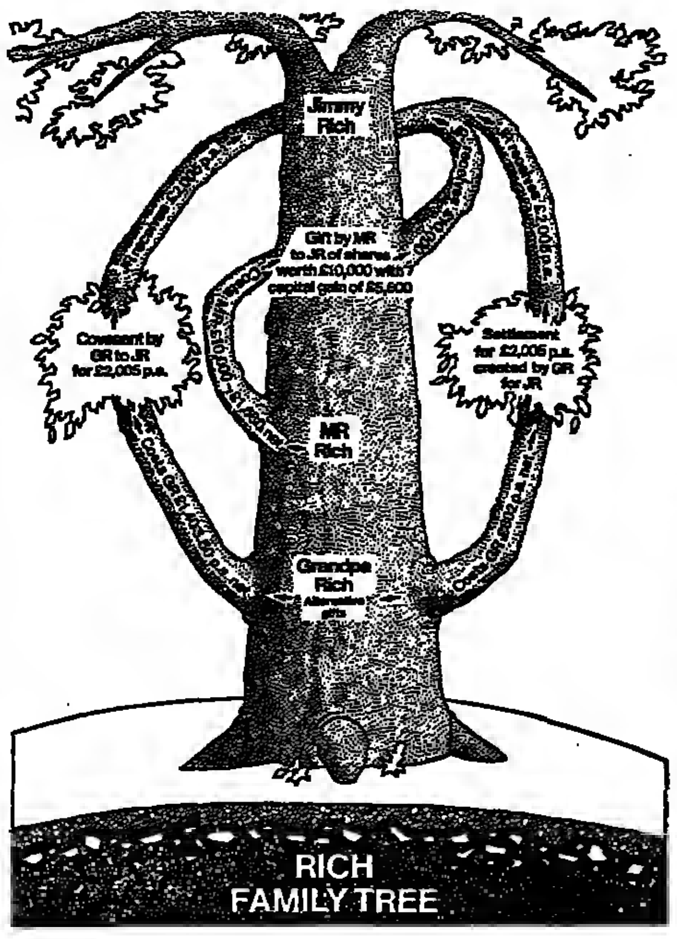
The first objective should be to provide sonny Jim with enough income to absorb the single person's allowance, currently £2,005. Nothing can be achieved by Mr Rich diverting income to his son because income transferred by a parent to an unmarried child under 18 continues to be taxed as the parent's. But this rule does not apply to income provided by grandparents or by anybody else for that matter.

The most tax-efficient help which Grandpa Rich could give would be to transfer income-producing assets into a trust for Jim's benefit. Provided that the trust is set up in the correct way the income can be applied in paying Jim's school fees or in otherwise providing for his maintenance and any such payments will be taxed as Jim's income. This means that income of £2,005 can be paid out tax free, whereas if Granda had retained the assets himself more than £1,200 of that income would have gone to the taxman.

If Grandpa is unable or unwilling to part with capital, the next best method would be for him to make a seven year covenant in Jimmy's favour. This will attract basic-rate tax relief. So a covenant for £2,005 per annum will produce an annual tax saving for the Rich family of just over £600.

Having put Jim's spare income capacity to good use, the Rich family can now turn its attention to capital gains tax. Jim's father, Mr Rich, thwarted by the income-tax laws, at last has a chance to show that he can be just as generous as Grandpa.

Mr Rich has already used up his annual exemption of £5,600 and so will pay CGT at 30 per cent on any further gains. Suppose he gives Jim shares on which the potential capital gain is £5,600. Normally, a gift of an asset triggers a CGT charge in just the same way as a sale would do. But it is now possible for donor and recipient to elect to "hold-over" a gain. If Mr Rich and Jimmy do so, Mr Rich will avoid tax on the gift and Jimmy will be deemed to have acquired the shares for the price which his father originally paid. Jimmy then sells the shares and makes a gain of £5,600 which is covered by his annual exemption. The Rich family has saved £1,680 of CGT which Mr Rich would have paid had he sold the shares himself.



There is the practical question of whether young Jimmy has the legal capacity to sign a CGT election. In the Inland Revenue's view there is no minimum age — but with a very young child it is probably best to arrange for an adult to act as nominee.

When Jimmy leaves home, Mr Rich may be able to pull off a more spectacular tax-saving coup. The Riches live in the country but Mr Rich also owns a London pied-a-terre. Only a taxpayers main revenue is outside the CGT net so Mr Rich faces a full CGT charge on the eventual sale of the London property. But this can be completely avoided if the property is given to Jimmy who then makes it his main home. Mr Rich's gain will be held-over and when Jimmy sells as owner occupier he will be exempt. The result is that Mr Rich's original liability will be wiped out and no member of the family will have paid any tax at all.

Since all these tax-saving devices involve the making of gifts, the capital transfer tax implications will need to be considered. But CTT will rarely be a reason for not proceeding with an otherwise tax-effective gift to a child. Gifts which are not covered by the annual and other exemptions will normally fall within the £64,000 ten-yearly exemption.

Families aiming to take a leaf out of the Riches' book must understand that children have to be allowed to keep any assets or money given to them. Otherwise, the tax benefits will almost certainly be lost. When payments are made under deed of covenant the Inspector of Taxes often requires a declaration from the covenantor that he will not derive any benefit from the payments he makes. In general terms, any circular arrangement which leaves the child at the end with no benefit from his "gift" would almost certainly fall foul of the anti-avoidance guidelines recently laid down by the House of Lords.

David Cohen is a Solicitor practising in London.

TRAVEL

Bucket shop flights . . . avoiding pitfalls

IT TAKES a lot of time and effort to turn a holiday into a nightmare before it begins. The tribulations of the last two weeks, however, have at least provided me with a guide to the workings of bucket shop travel agents.

My objective, two weeks ago, was to find reasonably-priced air fares to Menorca during August. Iberia, the Spanish airline, was asking £182 return for each person, for a total of £546. Cut-price agents, according to advertisements in London magazines, could get us there for £103 each, or £309 total.

With savings like that on offer, I felt I could afford to spend an hour on the phone and miss a few lunches to book the seats. I first answered an ad reading: "Confused? Call us. . . ." The company provided a list of firms with available flights to Minorca.

After an hour of phone calls, I determined the agency that would best suit our needs and promptly threw away the list. That was my first mistake. The information given out over the phone by cut-price travel agents can be vastly different to what you will receive when you arrive at the premises.

The agent on the phone said I could send the money by post (he wanted £90 deposit for the three tickets at £103 each) and he would send a confirming letter by return post. Suspicious from birth, I went along to the Regent Street office to place my order in person.

I dutifully insisted on a receipt for my deposit and was again assured that the confirmation letter of the bookings, with flight times, would be in the next day's post. When the confirmation never arrived, I became a pest, calling the agency every few days. First, an employee was sick, then there was a train strike, and then the boss was busy or away. I'm surprised, in retrospect, that the miners strike wasn't given as a reason.

Two weeks after I gave in the deposit of £90, I was informed by the agency that, in fact, there were no tickets booked for me and it would have to send back my deposit. I confess, then, to resorting to a fall-back position. I identified myself as a reporter and asked for the manager to call back with the details of what happened.

Shortly afterwards the manager telephoned, and after giving me the benefit of a long and embittered harangue, said that he now had the tickets.

It would be unfair of me to guess how the tickets suddenly arrived. But after calling a few experts in the field, I have learned how these upsets can happen. The bucket shop agent works off "wholesale sheets" which he can get for a small fee from charter tour operators. These give lists of the seats the tour operators can sell under their own name. The bucket shops also get similar seats from some airlines, like Finn Air, which have empty seats on some legs of their flights.

When an agent tells you over the phone that he has your desired tickets, he is really saying that he believes he can get those tickets for you through the contacts described above. What can happen, however, is that tickets can disappear between phone calls and visits.

Following these rules can help you to avoid this pitfall:

1 Do not leave the agency without the full details of your flight, departure times, airline, airport, etc.

2 Save the numbers of all agencies you contact, in case you need a second choice.

3 Consider a £3 investment in insurance which will cover you in case the agency or airline goes bust. This insurance should be available from the agency. If they do not have it, try the Air Travel Advisory Service in London.

4 Check that the agency will refund your money if the flight is cancelled.

Carla Rapoport

YOUR SAVINGS AND INVESTMENTS

Bids—chance for a risk-free turn

CHARLES BATCHELOR examines the latest share-dealing scheme

THE PERIOD between the announcement of a cash takeover bid and completion of the deal provides an unexploited opportunity for investors—both private and institutional—to take a profit.

This technique, known as domestic arbitrage in the U.S., is also widely used by jobbers in the UK. But so far it has been largely ignored by the small UK investor.

Shares in the target company frequently trade at a discount to the offer price in the early stages of a bid. Provided the investor is sure the bid will go through he can often obtain a better annualised rate of return on his money by buying shares in the target company for the 60-80 day period it takes to consumate the bid, than would be available elsewhere.

Astaire & Co., the stockbroker which has made a speciality of this technique, points to the £182m bid by Australia and New Zealand Banking Group for Grindlays Holdings, the international bank, as an arbitrage opportunity.

Astaire calculated that the ANZ bid, announced on June 13, would take 78 days to complete allowing for the approval of the Bank of England, the Australian banking authorities and the shareholders, as well as the time required to draw up and post the bid documents.

Grindlay's shares were at 170p before the bid announcement compared with ANZ's cash offer price. They immediately rose to around 260p.

Astaire calculates that buying 100,000 shares at 260p would cost £264,045 assuming the best available rate of commission to be paid. Selling the shares at the 275p offer price would produce a profit of £10,995, a return of 4.15 per cent over 78 days, or 19.41 per cent on an annualised basis.

If the original offer is topped by a higher counter-bid the investment becomes even more profitable.

If the bid does not go through, however, the loss could be substantial when the share price falls. A bid could be referred to the Monopolies and Mergers Commission, the regulatory authorities could turn it down or shareholders could object.

In the ANZ/Grindlays bid Astaire felt a Monopolies reference was unlikely because both banks had a low profile in the UK retail bank market. ANZ had obtained the approval of Citibank of the U.S. and Lloyds Bank, which together owned 70 per cent of the Grindlay equity, before announcing its bid.

If the bid timetable is delayed for any reason then the yield on the investment diminishes since the shares must be held for a longer period.

Profits on such arbitrage deals are treated as capital gains tax rather than income. Higher-rate taxpayers, who would normally pay tax at a rate of 40 to 60 per cent on bank interest or other income, need pay no tax at all if they have not used up their annual £5,600 exemption from capital gains tax. Otherwise, the rate is 30 per cent. However, if the funds had to be borrowed to finance the deal, interest charges could not be offset against any taxable gains.

Sun Alliance's £397m agreed bid for Phoenix Assurance announced on Wednesday could provide another profitable arbitrage opportunity. Phoenix is currently trading around a 24p discount to the 650p offer price.

A counter-bid would give buyers an even greater return but the possibility of a Monopolies reference should not be ignored.

PENSIONS

DIY before Fowler

NORMAN FOWLER, Secretary of State for Social Services, is expected to produce his long-awaited report on portable pensions next week, possibly on Monday.

At this stage one can only speculate as to its contents but one thing is certain. He will recommend much greater freedom should be given to individuals to be able to make their own pension arrangements.

But some life companies and financial management groups are not prepared to wait until Mr Fowler makes up his mind and pushes through the necessary legislation.

This week the old established investment house Foreign and Colonial Group joined forces with Continental Life group, formed just 2½ years ago, to tap the individual pensions market.

The result of this teamwork is the Comprehensive Pension Plan, with Continental Life providing the technical expertise in designing the plan, the marketing and some of the investment management and Foreign and Colonial the bulk of the investment management.

Continental Life claims that the plan is as portable as can be designed under present rules. It can be used for a self-employed pension, an executive pension, additional voluntary contributions, even annuities.

The investor has a choice of 12 funds, with F and C putting on offer seven unit trusts and a managed fund, and Continental providing a further four to complete the range.

F and C is noted mainly as an investment trust management group. But it expanded into the unit trust field last year, while its involvement in pensions investment has been confined to company schemes and exempt unit trusts. Now it is tapping a new market with both its unit trusts and its investment trusts.

Investors have a choice of seven trusts in which to invest directly, covering the spectrum of UK and overseas funds. Or they can invest in a managed fund of the unit trusts, the management being the responsibility of Continental.

There is also a managed investment trust fund, most of the trusts being F and C trusts, again under Continental's management.

Norman Fowler has reported one can expect a number of similar link-ups.

Eric Short

Squeeze on big borrowers

MARGARET HUGHES on how the mortgage rate change will affect you

FOR HOME buyers, Friday the Thirteenth confirmed their superstitions. The Building Societies Association (BSA) announced it was advising its members to increase the basic mortgage rate by 2½ per cent to 12¾ per cent. Lloyds Bank quickly followed suit by announcing similar rises.

This is the largest rise in nearly five years and the second largest increase ever. It compares with a level of 11.25 per 12¾ per cent. Lloyds Bank quickly followed suit, by announcing similar rises.

The majority of borrowers will be paying much more than 12¾ per cent. This is because most societies charge differentials. Sometimes these come into effect at thresholds of as low as £15,000 although the average advance even to a first time buyer is £17,649.

In addition societies generally charge a higher rate of interest for endowment mortgages which account for 60 per cent of all mortgages.

Those with large endowment mortgages will bear the brunt of yesterday's mortgage hike. For those with a mortgage of over £40,000 the rate will be 14¼ per cent if he or she borrows from the Halifax or Leeds Permanent—at least according to their present differential structure which may be altered.

With the Abbey, the rate would be 14¾ per cent. The Abbey charges a premium of 2 per cent on mortgages of over £40,000 but its premium on endowment mortgages is currently only ¼ per cent against the ½ per cent charged by the other major societies.

One large society, the Cheltenham and Gloucester, earlier this month stopped charging a differential on endowment mortgages of over £30,000 on which it charges a premium of 1½ per cent above the base rate.

Yesterday's mortgage increase is the second blow this year to the attractiveness of endowment mortgages, following the Budget decision to remove tax relief on life assurance premiums (LAPR).

Some of the largest building societies, notably the Abbey National and Halifax, have indicated that they may now alter their differential structure to reduce the burden on those with larger mortgages. But this may be offset by altering some other differential rates.

With the exception of the Woolwich, all building societies charge higher rates for large mortgages which come into effect at differing levels. So too until recently did the Nationwide, but it now charges a flat premium of ½ per cent above the advised BSA rate of loans up to and including £40,000 after which it charges 1½ per cent more than the BSA rate.

Until now the Woolwich has charged the BSA advised rate on all mortgages irrespective of size. But it plans to impose a flat premium above the basic rate. Like the other major societies it will not announce its new mortgage structure until after its board meeting next week but it is likely to be a maximum of ½ percentage point above the basic rate.

Those looking for a new mortgage will pay less by going to the Halifax and Leeds Permanent if they are borrowing less than £25,000. This is the threshold at which they currently start charging more.

For mortgages of up to £20,000 only the basic rate is charged at the Alliance, Anglia, Coventry and National Provincial. Abbey becomes attractive for mortgages of up to £15,000. But for larger mortgages, Woolwich and Nationwide offer cheaper loans.

For existing borrowers who feel unable to meet the burden of higher repayments resulting from the rise in interest rates societies usually offer the option of extending the term.

It is often advisable to take advantage of this facility, even if the higher repayment would not be a strain. This is because a borrower of up to £30,000 would earn more by re-investing the money he saves than the interest rate (after tax relief) he pays to a building society.

Borrowers should bear in mind however that if they extend the repayment period each time the rates go up they may find themselves not even repaying the interest due.

How monthly payments will be affected—three examples

Size of Loan £	Repayment Before £	Repayment After £	Endowment Before £	Endowment After £
HALIFAX				
17,650	126.21	146.72	126.53	135.84
20,000	145.28	166.25	125.41	151.57
30,000	224.76	258.69	198.87	238.25
40,000	309.82	351.60	274.17	326.57
WOOLWICH EQUITABLE				
17,650	128.32	146.85	110.53	133.53
20,000	145.40	166.40	125.42	151.57
40,000	290.80	332.80	268.33	433.34
LEEDS PERMANENT				
17,650	129.50	148.75	110.70	133.85
20,000	146.60	168.25	125.45	151.65
30,000	228.30	256.90	186.90	226.25

N.B.—"After" figure is based on the assumption of 12¾ per cent for repayment-type mortgages and 13 per cent for endowment-types. All figures are net of basic rate tax and allow for differentials charged within each building society.

RIGHTS ISSUES

Changes threaten the little man

TERRY GARRETT looks at why companies may be giving less privileges to their small investors

THE CHANCES of your being asked to put more money in companies in which you own shares have been diminishing in the last six months.

To date this year shareholders have been asked to pump only £560m of cash into the corporate sector through rights calls—in contrast to this point in 1983 when shareholders had already written out £1.4bn worth of cheques.

In part the fall-off in rights issues gives a misleading impression. Last year was a real bumper period for cash calls with over £1.7bn raised throughout the 12 months. But dig a little further back and the figures so far for 1984 are about a 10th ahead of the same period in 1982 and well up on 1981.

Still, finance directors' apparent reluctance to dip into their shareholders' pockets is surprising given the buoyant state of the equity market in the first five months of 1984.

The lack of issues has raised the question of whether the traditional rights issue as a way of funding corporate growth is slipping into the background.

The interests of the small shareholder, it has been suggested, are in danger of being sacrificed as companies find cheaper ways of raising cash exploiting the forthcoming reforms in the structure of the stock market.

In fact there are several features acting in concert to depress the level of issues.

The first point, of course, is that, with profits growth and strong cash flows, corporate liquidity is running at high levels, better than anything seen since 1978. Against that background most companies simply do not need to ask their shareholders to part with cash.

And those companies which do are mainly those that have already travelled that route more than once in the last decade. And they feel inhibited by fears of shareholders criticism and adverse stock market reaction, if they ask for more money.

But finance directors have also found other ways of funding their plans rather than issuing new shares at a price usually well below that of its shares in the stock market. The method of taking over an investment trust for shares at a price equal to net asset value and then liquidating the trust's portfolio has become a tried and trusted way of raising money.

Dubbed "back door rights issues" the investment trust take-overs have the virtue that shareholders do not have to inject the cash out of their own pockets although the Stock Exchange insists that they have to vote on the move. After all, such manoeuvres dilute existing shareholders' stakes.

However, companies that raise cash in this way are rarely blue chips. Often the approach is adopted by a company as part of an overall restructuring and recovery operation.

Other companies in an expansionist frame of mind have opted for acquiring companies by issuing their shares in exchange for the shares in their target company. The ex-shareholders of the target company can then offload their new shares in the bidder company by letting a financial adviser search for new purchasers. These "vendor placings" do not create the same disturbance in the market as a one-for-four or one-for-five rights issue.

And companies often prefer the placing of new shares as it is easier and cheaper than arranging rights issues at a discount with a panoply of underwriters.

But again, vendor placings leave out individual shareholders who see their stake in the enlarged group diluted. And that is the major stumbling block for placings of any sort which are unpopular in this country amongst investors.

The Stock Exchange, claiming to reflect the mood of the big investing institutions and private individuals alike, blocks all but the smallest placings unless linked to an acquisition. This is to guard what are called the pre-emptive rights of existing shareholders.

Even if shareholders agreed at a general meeting to their company placing shares to raise cash as an alternative to a rights issue the Exchange would block the move if it was for more than £5m.

To an outsider that stance may seem unnecessarily strict. Ordinary shareholders own the company and if they want a placing why should the Stock Exchange's rule book get in the way?

The problem is that, unlike rights issues, placings have the disadvantage that they do not offer equal treatment to all shareholders. A small group of investors, normally the existing large institutional holders, has the opportunity to buy lines of stock at a price below the market. A placing usually precludes the small shareholder who sees his investment proportionately reduced.

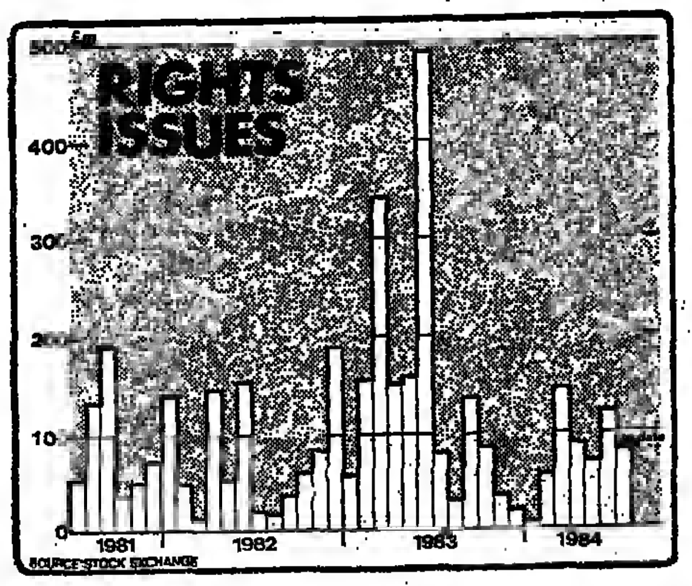
No doubt placings are highly efficient from the company's viewpoint but the frustration voiced by many small shareholders who have been precluded from a host of small placings by new companies on the Unlisted Securities Market, gives some idea of the depth of feeling.

They would have good grounds for feeling aggrieved if placings were allowed to become common practice. For even though a vote to approve an issue might be seen as a safeguard, who would have the voting power? Probably the institutions which knew they were in line for stock on the placing.

The issues are clearly sensitive and the Stock Exchange is not yet ready to alter the ground rules and let companies drip feed shares into the market on a regular basis.

But what happens when the City revolution has moved on a pace and many large securities firms will be able to absorb whole tranches of stock which can then be distributed throughout the City on the U.S. model?

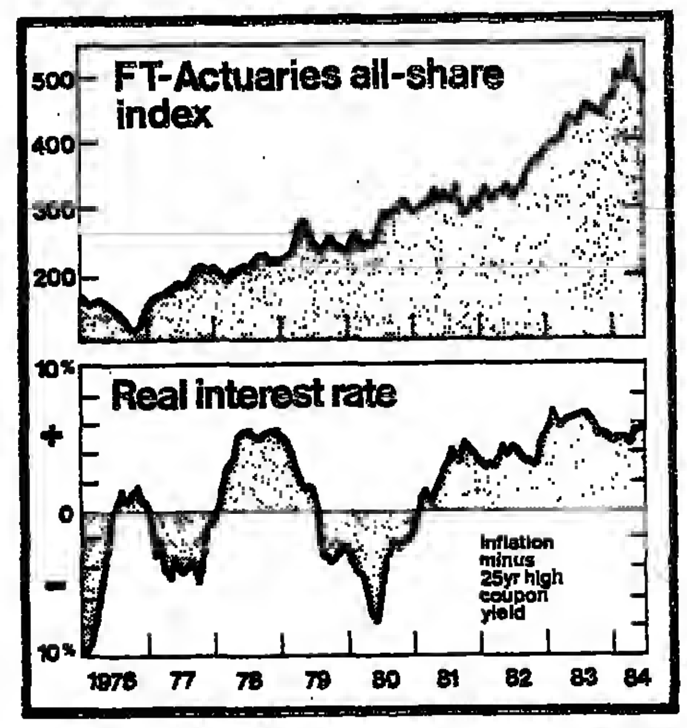
Undoubtedly those powerful firms will be putting pressure on the Stock Exchange's Council for a change to the rulebook which debars placings. It may prove very hard for the market to resist a move towards the U.S. system even if small shareholders feel they are being left out of the action.



STOCK MARKET

How to handle panic

STEFAN WAGSTYL discusses the different strategies for volatile markets



THERE IS nothing like an old-fashioned run on the pound to concentrate the mind.

Many investors must be nervous after a week in which the Financial Times 30 index has fallen 60 points to close yesterday at 760—down 140 points from its all-time peak of 922.8 hit only 10 weeks ago.

What measure of panic, if any, is justified? The answer depends on what happens next which in turn depends on a hundred different things from the dollar to the weather.

But if you have given up trying to forecast markets or events, you may consider instead how best to cope with uncertainty.

The first step is to get everything into proportion. As Fred Carr, partner with stockbrokers Capel-Cure Myers, says: "You don't open a bottle of champagne if the market goes up a 100 points, so you don't jump out of the window if it comes down by 100."

Stockbrokers are not being inundated with orders to sell at almost any price in the way that happened in the last two bear markets—in 1976 and 1981.

Many private investors will take the view that they should sit out the uncertainty until a clear trend emerges.

But unlike large fund managers, they can be more aggressive. While the fund manager cannot buy and sell large blocks of a particular share without moving the price against himself, the private investor holdings are almost always small enough to be bought or sold in one go.

Private investors should not refuse to take profits purely on tax grounds. Roger Pincham, who advises private clients of brokers Philips and Drew, says far too many people allowed their investment plans to be dominated by thoughts of Capital Gains Tax. They often refuse to take profits in July just because it is too early in the tax year.

But how much to sell? Stockbrokers who six months ago were advising clients to put everything into equities are now saying that 15 to 20 per cent of a portfolio should be in liquid assets like deposits or short-dated gilts.

This proportion might jump to 30 or 40 per cent if the bears drive out of the bulls. As the graph shows, real yields (adjusting for inflation) on gilts are now close to a record high.

Those already holding higher proportions in cash would be *well* advised not *to* put new money into the market at this stage.

Choosing which shares to sell can almost be as difficult as deciding which to buy. The *general rule* is that *speculative* stocks which go up fastest in a booming market are usually the first to fall.

Those shares which are most volatile in relation to market movements will *clearly* be prime candidates for sale. Conversely, the stocks to retain are those whose performance is solid, and where a high yield offers some support to the share price.

Such stocks are to be found among food companies since their profits are protected by the fact that food is the last thing people stop buying however bad a recession.

For David Damant, a partner with brokers Quilter Goodison, breweries are another good bet since the yields are high. He also likes Glaxo because of its long-term prospects.

Bernard Donoughue, head of investment at Grieveson Grant, favours Cadbury, BATs and Hanson Trust because they are solid and because they make a high proportion of their money abroad—an important consideration when the pound is weak.

Overseas investment is also an option, most simply through unit trusts or investment trusts specialising in particular markets. The weakness of the pound may make this choice look expensive at present but investors who, for example, expect the Japanese market to *outperform* the UK over the next six months should consider whether any recovery in sterling would outweigh their potential gains.

Stockbrokers agree that about 20 to 25 per cent of a UK portfolio should now be invested in foreign markets, but disagree over which ones. One said the opportunities in Australia were "excellent," another said "go anywhere except Australia."

While UK private investors have been quick to invest abroad, in contrast to the Americans for example, they have been slow to exploit the possibilities of the futures and options market.

The easiest way is to place a bet that the Financial Times Stock Exchange index of 100 shares will go down over a given period. Then, if the market does indeed fall, the investor makes money on his bet to offset against the decline in the value of the portfolio.

An alternative is to buy a "put" option, which gives the investor the right to sell a given amount of shares at a set price in, say, three months. If the market falls, the investor can sell at that set price rather than at the lower market price.

The chartists believe that investors tend to over-react to both good or bad news. Thus, after a gloomy patch, the stock-market may be driven down too low. As Donoughue says: "It should be remembered that when everything seems black is often the time to buy heavily."

YOUR SAVINGS AND INVESTMENTS

Clive Wolman explains how to use the decision tree after the rise in interest rates

Glitter of golden gilts

SAVERS have never had it so good. This week UK real interest rates, after adjusting for inflation, were raised to their highest level this century.

According to some historical records, real interest rates are probably at their highest since Aaron of Lincoln and his fellow medieval usurers lent out huge sums to a financially naive aristocracy and clergy to finance their wars and their abbeys.

Certainly, in this century, savers have never seen the purchasing power of their wealth increase so rapidly except for brief periods of savage price falls in 1921 and 1929.

But some savings institutions have been reacting more swiftly and more dramatically than others to the changes in market conditions. This has meant that the decision-tree advising you in which low risk savings medium to put your money that was published on these pages in March is now out of date.

The biggest increases in interest rates have been made by the building societies which yesterday announced that the rates they were paying to their investors (net of basic rate tax) would be raised by 1.5 percentage points from the start of August.

But the yields offered by "gilt-edged" Government securities have also risen substantially in recent weeks. For higher-rate taxpayers at least, gilts, of both the conventional and index-linked variety, offer better returns than any other asset, provided you can afford to hold on to them until the redemption date, or some time close to it.

Many savers are deterred from putting their money into Government securities by the technical jargon surrounding them and the apparent difficulties of buying and selling them in relatively small amounts.

Many gilts in fact are on the National Savings stock register and thus may be purchased simply and cheaply through the Post Office. The following gilts recommended in the decision tree appear on the stock register: Treasury 3 per cent 1985, Treasury 8½ per cent 1984-86, Funding 6½ per cent 1985-87, Index-linked Treasury 2 per cent 1988 and Redemption 3 per cent 1986-96 (a medium-dated low coupon gilt).

Those seeking further advice or wishing to buy alternative stocks will have to turn to a stockbroker. In view of the impending Stock Exchange reforms, most are now eagerly courting small investors and should be willing to help.

Simon Corker of stockbrokers Phillips and Drew has produced figures showing the importance of precise timing when purchasing gilts, particularly if you are a higher rate taxpayer. The best time to buy is shortly after the half-yearly dividend has been paid on the gilt and the best time to sell is shortly before the next one is due. You will still gain most of the benefit of the dividend as the gilt price rises in anticipation of the payout.

But whereas dividends are taxed as income, such price rises are treated as capital gains and thus free of tax if the gilt is held for more than a year. For investors who are likely to use up their £5,600 annual exemption from capital gains tax, the optimum period to hold a gilt is just less than 18 months so that they receive only two dividends.

But even a "15-month run," rather than one over 18 months, can still be attractive if the dividend dates do not fit in exactly with when you wish to invest your money.

One drawback to buying gilts is that if you wish to cash in your investment a long time before the redemption date you may suffer a capital loss if interest rates have risen since your purchase. And in that situation, you will be tempted to switch your money into a higher-yielding asset.

For this reason, buying gilts with a redemption date more than four or five years away is a fairly risky procedure. And if you are pessimistic about the outlook for interest rates in the shorter term, you should buy gilts with a redemption date next year.

Among the slightly longer dated gilts, the index-linked stocks are the least risky. The 1988 gilts are offering real returns (after deducting the inflation rate) of more than 3.5 per cent per year and very little income tax has to be paid on the dividends. Higher-rate taxpayers will do better to hold index-linked gilts unless inflation averages less than 3 per cent over the next three years.

Despite their tax advantages, low-coupon and index-linked gilts are an awkward investment if you are seeking a high income. The only way the low half-yearly divideods can be supplemented is by cashing in some of your holdings on a regular basis. But this can be expensive in terms of commissions, and is inconvenient.

Barlow Clowes offers a gilt management service which can provide a relatively high regular income from low-coupon gilts for higher rate taxpayers. This is achieved by investing in gilts with well-spaced-out dividend dates and by cashing in stock at suitable moments.

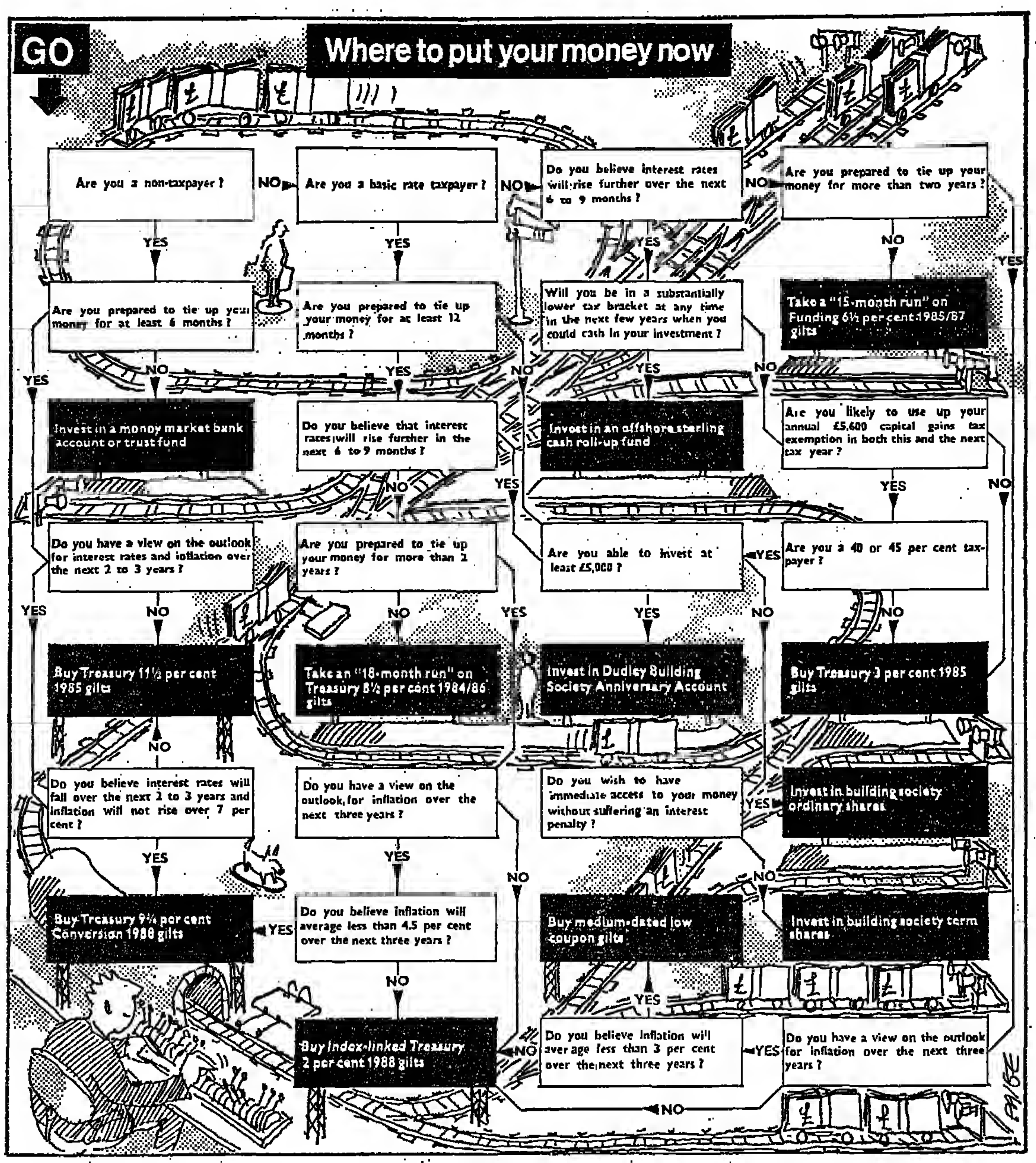
The only savings medium which has come badly out of the recent interest rate increases has been National Savings. The interest rates on its investment accounts, bonds and certificates were cut in April just as interest rates elsewhere were starting to rise.

Now, you can find a better deal from at least one of its competitors whatever your tax rate and other requirements. Even the index-linked certificates or "granny bonds" can no longer compete with index-linked gilts despite the improved terms announced last month which gave them some attractions at the time.

Outside the public sector, there are also wide disparities, particularly in the special interest rates offered by the smaller building societies. The July survey carried out by Information Presentation of Dorking, Surrey, shows that by far the best deal at present is being offered by Dudley Building Society in the West Midlands. This is offering a rate of 9.75 per cent (net of basic rate tax) on investments of over £5,000 and you can withdraw your money immediately without penalty. The building society says that the offer is likely to be withdrawn shortly.

Of the other recommendations in the decision tree, the advantages of offshore roll-up funds are explained on page 8 while details of the interest rates offered by money market bank accounts and trust funds can be found in the statistical section at the back of this newspaper.

Barlow Clowes and Partners, Worldford Court, Throgmorton Street, London EC2. Tel. 01-638 0865.



PROPERTY

High price and high security

BY JUNE FIELD

A WATCHING CAMERA sits in the trees outside the toll locked gates which only open as we are identified as legitimate callers.

This is Fernhill Park in 210 acres adjoining Windsor Great Park, Berkshire, four miles from the castle, and where the further high-security aids which provide an invisible screen that encircles the fine 17th century house would do justice to any Royal Family.

Genuine viewers, well-vetted before any appointments are made, are received by a butler and liveried staff as befits the showing of what, at in the region of £10m must be the most expensive and lavishly presented house in Britain.

And at this price it is usually a would-be purchaser's representative that comes along for the initial look, rather than the principal, points out Antony Wardell of Knight Frank and Rutley's Hanover Square, W1 office who are the agents for the estate and nine cottages.

The house, built before 1700 by John Thorpe has a list of distinguished owners including, in the 19th century, Sir Thomas Metcalfe, who instigated the Fernhill Stakes at Ascot races, two miles away, and whose son was Governor-General of both India and Canada. In 1946 it was lived in by Col Arthur Waite whose wife Irene was the daughter of Baron Austin, founder of the Austin Motor Company.

In 1977 it was bought by an American company, Elata, who have effectively rebuilt the house, replacing floor and window timbers, renewing the roof and installing air-conditioning. Most of the walls are silk covered, and in the pale jade drag-painted 38 ft long drawing-room, even a fire extinguisher is wrapped in a luxury fabric.

What is now the ultimate 1984 house has only been occupied for very short periods by a family who insist on remaining anonymous, so all the sophisticated contents, which are included in the price, are almost brand new.

There are music and television units concealed in cupboards in most of the dozen bedroom and bathroom suites, and one can press a button by the bed in one room and a television set rises up out of a coffee table without the need to move the lamp on top.

By contrast, The Holme, early 19th century 40-room mansion in 4½ acres in Regent's Park, occupied by Bedford College since 1948, awaits the renovator's hand.

Probably the most important London house to come on the market since the war, it was the first villa to be erected in the Park, designed in 1818, Palladian-style, by 18-year-old architect Decimus Burton for his father James Burton, John Nash's major builder.

An elegant house in an Arcadian lakeside setting nevertheless the Commissioners did not like it. And Nash had to agree that "it is to be lamented, for the beauty of the Park, that Mr Burton was allowed to build the sort of House he has built."

Impressario and songwriter Sir George Dance (1869-1932) whose greatest success was *The Gay Parisienne* in 1896, added a ballroom, billiard room and gazebo in 1911, employing cinema architect Bertie Crewe. And in 1939 the dome was replaced by a balustrade, the interior of the house mainly reconstructed by Paul Phipps (1880-1953), a pupil of Lutyens, and the garden remodelled by landscape architect Sir Geoffrey Jellicoe.

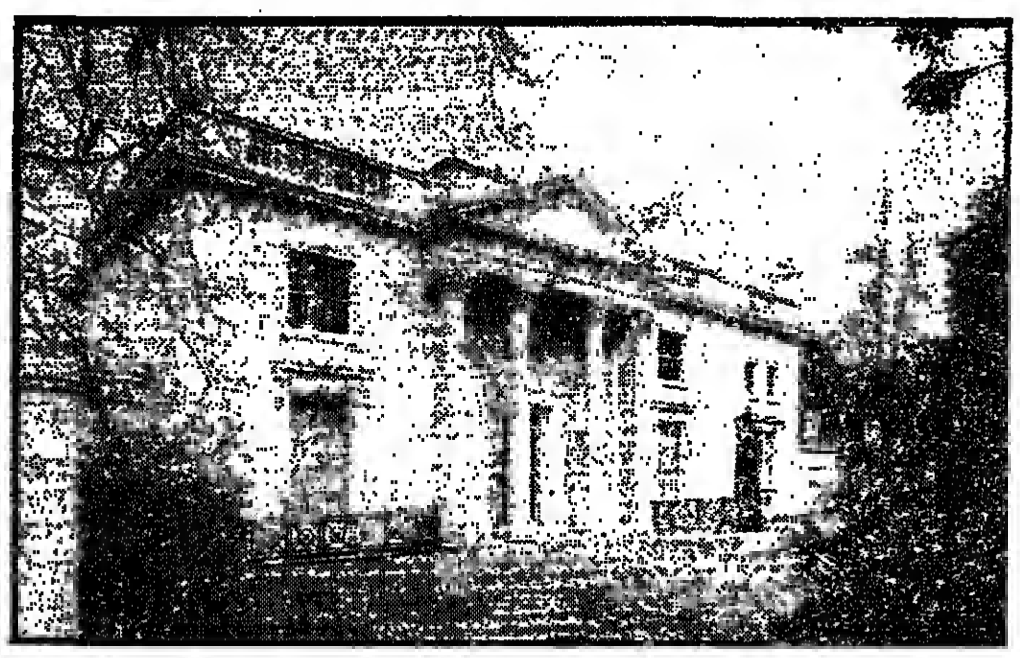
At that time it was owned by Mrs Marshall Field, and in a fascinating July 1981 exhibition "The Regent's Park Villas And The People Who Lived in Them," the family loaned some of the furniture for display in the Empire-style dining-room. This meant one could see how the now spartan room, which still retains silver, white and gold decor done in 1939 by M Boudin of the Paris firm of Jansen, could look.

Strolling down by the lake where ducks sit contentedly on the lawn, this week one could only agree with J. Mordaunt Crook, writing in Country Life in 1980, that "criss-crossed by branches and framed by lakeside shrubberies, the view across the water is still one of the most romantic set-pieces in London."

The Crown Estate Commissioners want the place to revert to a private house and, subject to the necessary work being caried out to their approval in a manner sympathetic with its Grade II* listed status, they are offering a direct Crown lease of 60 years. Peter Kearon, of Knight Frank & Rutley's Sloane Street, SW1 office, is indicating a guide figure of over £5m.

Charmingly presented illustrated particulars including a site plan and conditions of offer are £20. A confirmed appointment is necessary to view, and the agents remind us that it is essential to do this to avoid a fruitless journey.

Fernhill Park in 210 acres in Berkshire, with 12 bedroom suites, 10 staff bedrooms, plus a lake, 2 swimming pools, tennis court, farm buildings and 9 cottages. For sale around £10m for the freehold including the contents through Antony Wardell, Knight Frank & Rutley, 20 Hanover Square, London, W1 (01-629 8171).



The Holme, in 4½ acres in Regent's Park, London, NW1, designed by Decimus Burton in 1818, and recently used by Bedford College, is for sale for private occupation through Peter Kearon, Knight Frank & Rutley, 152 Sloane Street, London, SW1 (01-730 8771). A guide price is being indicated of over £5m for a 60-year Crown Estate lease to approved applicants.

A fig for all seasons

UNDER THE crossed cranes in the mews behind Prince Albert Road, alongside Regent's Park, a little fig tree sits, protected by wire netting. Experts visit it from time to time to see it is alright.

It has cost the developers some £50,000 to preserve the fig in the manner demanded by the planners, surrounding it with a special platform of earth. Now it is the centrepiece of a large hole in the ground that will eventually become Park St James, elegant apartment block officially launched on Wednesday, that even before the original four Edwardian houses were demolished, has been half sold through agents Lassmans of Old Bond Street, W1.

Gable House Properties of Regent's Park Road started piecing together the site in 1979, when, as managing director Alan Goldberg says, some people had faith enough to buy off plan; they paid a 20 per cent deposit and contracted for equal payments spread over the course of construction. Completion is expected for September next year. Without revealing what the initial purchase figures were, he says that those who bought then could now take at least £100,000 profit.

Showing that views of the park obviously command a premium, is that prices now for 999-year leases of a four-bedroom, three bathroom duplex apartment average around £¾m. From £295,000 buys a two-bedroom patio-flat. All have the requisite luxury fittings of gold-plated taps and so on, and the lavish entrance hall will have pink and white marble walls, plus a spectacular water-cascade. Garage spaces will be £10,000 each.

Anthony Lassman, who has done all the pre-selling (Hampton and Sons are joint agents), has just sold for £700,000 the entire sixth floor, where two flats will be knocked into one.

Being reserved for "a very substantial purchaser able to take the two units" are the pair of tenth and 11th floor penthouses, air-cooled, with four terraces each. Lassman calls them London's most dramatic penthouses, totalling some 5,000 sq ft of prime floor space. "The prolific use of contoured glass means magnificent views across the park, and to the rear, Primrose Hill. When they are released we would certainly be looking for a figure well in excess of £2m."

هكذا من الأصل

TRAVEL

Bibles on eating and drinking in France

BY ARTHUR SANDLES

THE BASIC rule of travel in France is that all roads lead to a paper tablecloth. Although the holiday snaps may be of pretty churches, old streets, cobbled squares and merry markets the conversation is much more likely to turn to . . . that fantastic meal we had in Sisteron; the cooking was amazing, and only Fr 45 a head. . .

Michelin is still the market leader as far as finding a decent place to rest and eat wherever you happen to be. Its UK-based rivals tend to be thinner in spread, excellent though they may be. Next year one of Michelin's major rivals, the Guide Hachette, will be on sale in Britain in an English version produced by Fontana and called the Fontana Guide. It will cost somewhere between £8 and £10.

The current French language version, which is fatter than Michelin and much more chatty, costs Fr 89 in French bookshops.

My own little bible continues to be the Guide des Hotels published by Logis et Auberges de France. It is free in Britain from the French National Tourist Office in Piccadilly (large SAE if you write to the FNTO). In France you have to pay for it. When picking it up you might also inquire about the latest edition of the map of French rural side-routes—the ones you see marked with little green arrows from time to time.

Later this month this page will turn its attention to the Channel ports. Meanwhile, for those of us who tend just to point the car towards France and go where the mood takes us, here is the instant prompt:

Pas de Calais: The coast is overdominated by the British but inland it has more charm than whizzing through suggests. Wonderful dunes south of Boulogne. Cooking looks very much to the sea and steals a little from Normandy, but with the accent on beer rather than cider.

Normandy: Rich land of agricultural pleasures and a history which is deeply entangled with Britain. Rouen is a delightful town, in the centre at least. Apples, cream, shellfish, veal dominates the menus. The extra zing comes from Calvados.

Brittany: A land for the family holidaymaker, heavily osed by British for self-catering in modern villas built in the old style. Some of the best coastal scenery of Europe. Menus: forget meat, this is a world of fish. Seafood plates made up of assorted crustaceans followed by *Raie au Beurre Noire* (skate in butter) would be a standard meal, chased down by the local crepes which come in considerable variety including plastic wrapped to take home from the supermarkets. Cider and Muscadet (from nearby Loire area) are standard drinks.

The Loire: Chateaux country. Drag the kids round, they might learn a bit of history. See Chenonceaux for beauty, Chambord for grandeur. Lots of English-speaking help. Tends to get crowded in high season. Menus: River fish and various pork concoctions, sausages and rillettes. Wines are light dry and white, very much to current English tastes.

The Dordogne: Britain's home from home. Rolling rural vistas, cosy little towns and, to be honest, little else. But the food. . . Goose in its multitudinous forms, game, mushrooms and truffles. Walnut oil is the ubiquitous replacement for olive oil. Don't plan to drive after lunch.

Massif Central: Strange, often overlooked, region of mountains and gorges. Lots of spas and healthy walks. The fortresses and music of the Auvergne fascinate the British. The food is aimed at mountain palates and appetites. At the right time of year game is to be had in abundance. Year round you will be offered a wide array of local cheeses, the blue ones are a particular local speciality as is, of course, Roquefort.

Pyrenees: One range of mountains and yet almost as different in East and West as North and South. You tend to travel in the lowlands that contain Pau, Tarbes and Lourdes and make dasbes into the mountains. Wonderful scenery and a great place for church spotting. Food has a Spanish influence, the peppers, onions and tomatoes start creeping into things.

Provence: The original French Mecca for the British. Impossibly crowded in August but at other times a wonderful array of superb scenery, little villages, big resorts, the highly sophisticated and the appealingly quaint. With both mountains and sea it would be holiday perfection—but for the numbers of people. Menus: Lots of oil and garlic, and seafood. *Nicoise ratatouille* and *bouillabaisse* are the words to remember. The wines of Bandol are under-rated.

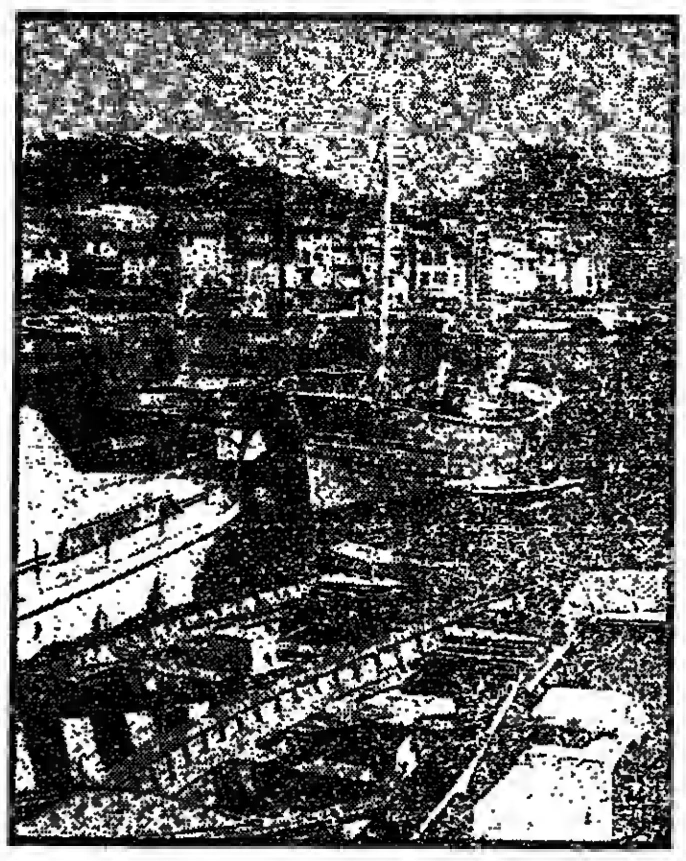
French Alps: Grey and snowy when compared with the summer pastures of Switzerland and Austria, but ruggedly appealing for all that. Driving that can be great fun, if a little nail-biting, and the scenery dauntingly grand. Leave lots of time to get from A to B. Menus tend to include mountain dried meats, fondue and raclette.

Burgundy: Beef, snails and red wine are the staple diet. Lifting your eyes from the table occasionally you might also spot some gently attractive scenery. A region for gentle ambulatory tours with a purpose, the purpose normally being the stocking of the cellars for the coming year, or years.

Alsace: Invaded by Europolitics these days, Alsace is strikingly different from the rest of France in its mood. The Vosges mountains tumble down through vineyard-covered hills to fertile fields and pleasant small towns with a Germanic accent. Do not miss Riquewihr, a pretty place to taste the local wines —and they are very good. *Choucroute garni* is difficult to avoid in local restaurants, along with various meats and fishes done in local wine, which tends to be fruity and sweetish.

Paris: A city to visit in spring or autumn. It is no longer deserted in August, although some restaurants and shops do take a break then, but it does tend to get a bit hot for sightseeing. The gastronomic capital of the world, if the French themselves are to be believed. There are still surprisingly inexpensive good hotels and eating houses.

The harbour at Bandol, near Marseille



The harbour at La Rochelle on the Atlantic coast

MOTORING

Nuisance or just B silly?

BY STUART MARSHALL

IS IT a genuinely needed, sales-boosting benefit to Britain's motoring industry—or simply a "B" nuisance to buyers, dealers and manufactures alike?

I am referring, of course, to the new car registration prefix. In showrooms all over the country, salesmen are either just order-taking for the great August 1 boom—or tapping their feet idly, with barely a customer in sight.

Just how great the distortion created by the new registration letter has become was demonstrated abundantly by August sales in last year's record 1.79m car market. Out of that total, 374,599 were registered in August, or 21 per cent. Contrast that with July, when a mere 49,378—2.8 per cent—were sold. Austin Rover, for one, claimed that as early as May the market was starting to slow as buyers increasingly became inclined to wait for the next year's registration letter.

The trade expects the pattern to be repeated this year, though perhaps not quite to the same extent because we're simply moving to the second letter of the prefix system not, as in 1983, from suffix to prefix.

Last year's extreme peak has started debate afresh about the desirability of the yearly identifier; sufficiently so for the Department of Transport to be prepared to look at it anew. This is so even though only two years ago, when asked for views on alternative systems prior to making the switch from suffix to prefix, the Society of Motor Manufacturers and traders, the major interested party, despite internal splits, generally supported a continued August change.

From a social point of view, for my money the system tends to bring out the worst in a lot of us: the "keep up with the Joneses" incentive is undoubtedly there. The suffix or prefix sticks out a mile in the driveway or on the road; an all-too-obvious, though potentially wildly inaccurate, apparent indicator of individual economic well-being (or otherwise). A current one can create smug one-upmanship; a not-so-current one discontent, even envy.

It also can colour unfairly, even if subliminally, our view of other road users. That young fellow in front in the "P" registration Jag, for example: he probably didn't pay more than £1,000 for it, probably can't afford to maintain it properly and since he's opted for a fast car on the cheap he's probably a hooligan, to boot . . .

The generation of such attitudes, however, provided at least part of the reason for creating the yearly system in the first place, on the assumption that it would boost total new car sales, compared with the old one where even the cognoscenti could tell at best from the number plate where the car was registered.

So the industry was a vocal supporter when the first "A" suffixed car took to the roads in 1963, for that reason and the fact that previously sales had bunched in January and thus, in theory, two smaller and more manageable sales peaks should be created.

For years, it did have the desired effect of smoothing out the year's sales pattern—but the industry has been divided ever since on whether, at the end of the day, total sales had been increased.

That particular debate has tended to be swamped recently, however, by the sheer size of the August bulge.

Adjusting output schedules to build the August stock mountain and cope with the inevitable market tail-off afterwards has become a big problem for the manufacturers. Dealers have the cash-flow problems of much-reduced sales two months before August, at the same time as they are having to stock for the boom: struggle to cope with the sudden flood of cars needing pre-delivery preparation, and with the inevitable trade-ins in volumes which are hard to shift.

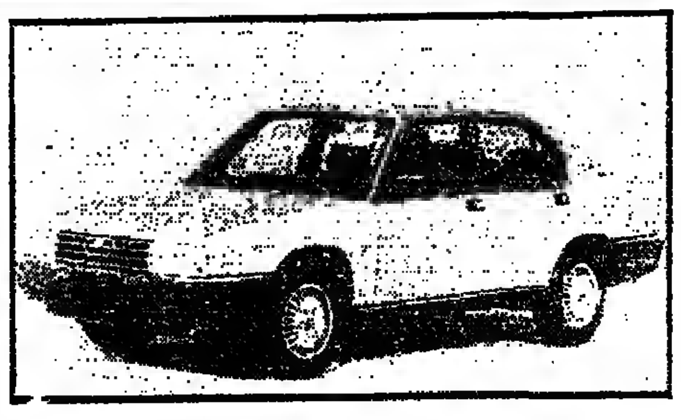
Customers, it seems to me, are entitled to wonder whether their cars can be properly prepared for delivery in such circumstances . . .

So there is a growing body of opinion in the industry now that the system should, in fact, go. Vauxhall has said bluntly that the sooner any yearly identifier is scrapped the better; Austin Rover, after mooting a change to October, appears to have swung to the Vauxhall view; Ford, as yet, seems undecided.

One of the arguments which has been propounded by the UK industry "scrap it" lobby was that it helped importers. All the Continental countries experience their worst sales month in August (typically 5-6 per cent of the year's total). Thus, the argument went, Continental makers could build right hand cars to their hearts' content and flood the UK market with them to the disadvantage of domestic makers.

Mr Michael Heelas, managing director of Volkswagen/Audi in the UK, scotched that one a couple of weeks ago.

He, too, called for the yearly prefix to be dropped. The importers had to fill even longer supply pipelines, starting in May, he insisted. And since catering to the extra UK August sales involved only about four days of total production, it was hardly significant to the well-being of the company.



This is the Alfa 90, the Italian state-owned company's new contender in the executive saloon sector. It will go on sale in Italy and other Continental markets in the autumn, and come to the UK early next year. The car, with engines of between 1.8 and 2.5 litres, will slot between the existing Alfetta saloon and top-of-the-range Alfa 6 models. By then the Alfasud will be back on sale. Not (some would say, alas) the classic hatchback which set new standards in the early '70s, but the joint venture model between Nissan and Alfa which is already sold by Nissan dealers in Britain as the Nissan Cherry Europe. At first, Alfa in the UK said it was too downmarket for its dealers. With total Alfa sales in the UK in the first half of this year down to 2,253, about one-third 1979 levels, it has now changed its mind. . . .

BOOKS crime fiction for holiday reading

Innes free

BY ANTHONY CURTIS

Carson's Conspiracy
by Michael Innes. Victor Gollancz. £6.95. 183 pages

In 1934 a Scottish academic of 28, with a degree in English from Oxford, and recently married to a medical student he had met while teaching at Leeds, was on his way to Australia. He was about to take up the post of professor of English at Adelaide University. He went by sea and it took a long time. The professor-elect whiled away the voyage by writing a detective story. His real name was John Innes Mackintosh Stewart, but mindful of the fact that one day he would write more serious books he published his thriller under the pen-name of "Michael Innes."

Since then few publishing seasons have passed without the appearance of a new Michael Innes. In recent years they have regularly alternated with novels containing no overt detective element under the author's name of J. I. M. Stewart. After Adelaide, appointment to Christ Church, Oxford, as tutor in English did nothing to abate the flow of his novels. One in the spring and another in the autumn was the form for many years and since the relinquishing of tutorial responsibilities, the striking-rate has, if anything, increased. By contrast to this rich harvest of fiction, the crop of academic works has been comparatively frugal: but it does include some highly regarded volumes on Shakespeare, Hardy, Conrad, D. H. Lawrence and Henry James.

It is the work of the latter novelist, in its less convoluted phase, that has had the most influence on Michael Innes's style. From the first Innes produced a special brand of allusive, literary detective-story. The title was frequently a quotation—*Hamlet, Revenge!, Lament For A Maker, The Journeying Boy, There Came Both Mist and Snow* (these early Innes books are now being reissued as Gollancz Vintage Thrillers), reflecting the English don's professional interests. Many more quotations, and references to the work of authors on and around the syllabus, could be found planted in the text and subtext of the story. If the pleasures of detection in the conventional whodunit sense were often slight, and have become slighter still over the years, the bookish reader was amply compensated by the hovering background presence of his favourite authors.

However, there had to be a fully accredited detective to pursue the inquiry and Michael Innes established him in his first book *Death at the President's Lodgings* (1936), surrounding him by eccentric Oxford academics. He has remained loyal to him ever since over more than 30 books. John Appleby, an eminently sane and civilised policeman, has had an immensely distinguished career in the force, ending his time as Commissioner for the Metropolitan Police and honoured by the Sovereign with a knighthood. Like his creator he is now officially retired living in the country at Long Dream Manor in the village of Long Dream. But this does not mean that he has totally given up work. There is a carefully planted reference in Cincinnatus in *Carson's Conspiracy*.

Appleby finds that all his old skills and insights are fully stretched when the financial empire of his neighbour, Carl Carson, is facing collapse and Carson himself planning to do a bunk. Carson and his dotty wife have a son who lives in the United States—or do they? The son, we are told, is but a figment of the imagination of this woman who has been denied maternity. Yet this figment threatens to materialise, to come home to Long Dream. Like an expert chess-problem composer, Appleby deftly analyses the situation and considers a number of "tries" before in the last few pages he discloses the key.

The amount of crime of this sort occurring among the gentry in quiet English villages and country houses is so considerable that Appleby, even though he is still willing to respond to the call, cannot possibly cope with it all. Michael Innes has in reserve a second sleuth, an amateur, of even more impeccable background with a useful knowledge of art history; useful because many of his cases seem to turn on art forgeries in stately homes. He is Charles Honeybath, the charming and tactful, Old Etonian portrait-painter; his genesis owes something to Henry James's short story, 'The Liar,' but he is now very well characterised over several books where Innes's ear for the peculiar tone of discourse in the higher reaches of English life is delectably acute.

In the little matter of the body that vanished from the library, in *Appleby and Honeybath*, it was left to Sir John to step in at the last moment and solve the mystery; however, in the equally puzzling instance of the missing Hilliard miniature in *Lord Mullion's Secret* Honeybath managed very well on his own. Whether it will continue to seem plausible that every time Honeybath receives a commission for a portrait it should involve him in the investigation of murder, only time and Michael Innes's next dozen or so books, will tell.

J. I. M. Stewart: the Simenon of the Senior Common Room.

Pulp noir

BY NIGEL ANDREWS

Black Box Thrillers
Zomba Books (165 Willesden High Road, London NW10). Omnibus volumes of the novels of David Goodis, Horace McCoy, Jim Thompson, Cornell Woolrich, Jerome Charyn, Anthony Boucher and W. R. Burnett, each at £9.95 (hardback) and £5.95 (paperback)

"The giants of pulp," announces the puff on the back page of the Zomba Black Box Thrillers "Discover the rivals of Dashiell Hammett and Raymond Chandler." And it's only right that in an age when filmgoers have rediscovered the murky delights of film noir—all those shadow-wrought Bogart movies, all those femme fatale '40s thrillers—publishers should be dusting off the books that originally inspired them.

Here are the serpentine mysteries of Cornell Woolrich (*Rear Window*) and David Goodis (*Dark Passage*). Here are the underworld romps of W. R. Burnett (*Little Caesar, High Sierra, The Asphalt Jungle*). Here are Jim Thompson's subliterate anti-heroes pounding across the American countryside (*The Getaway, Pop. 1280*). And here are a half-dozen more literary crime worlds from the locked-room mysteries of Anthony Boucher (those romans à clef in which the author has hidden the clef) to the "Sit-down mister" pulp operas of Horace McCoy.

Each book packages four novels or novellas by a single author and comes with a useful (often excellent) introduction by a critic or aficionado.

The wonder of these underbelly American oeuvres, written over a vast sprawl of years from the Depression to Watergate, is that no other country ever produced anything like them. If James Fenimore Cooper was the first writer to peo novels of all-American content, in which homegrown U.S. history was welcomed at last into the literary sanctum but only at the price of a shotgun wedding to archaic European style, these writers look to nowhere but America for both style and content. Even the folksy vernacular of *Huckleberry Finn* seems almost mid-Atlantic compared to the spitting slang and directness of authors like Burnett or Charyn.

Some of the writers, admittedly, are so down-market that it's doubtful they would have been resurrected without the imprimatur of the cult films their novels (or some of them) inspired. Woolrich's *Phantom Lady* is a cunning tale of vanishing alibi witnesses in a murder case, but it's couched in a style about as euphonious as a blunt gramophone needle. And Goodis's *The Moon In The Gutter*, aiming a little higher at *nostalgie de la boue* prose-poetry, ends up in a limbo all its own of purple pretension.

Many of these stories are the kind where winds "stab," snows "slash" or "syrup heat refuses to budge." The reason the movies are remembered better than the books—and deserve to be—is that, for perfervid metaphor they substituted a hauntingly sharp and stylised reality: the product of gifted cameramen (Wong Howe, Garmes, Metty) and directors (Walsh, Siodmak, Huston, Hawks) who used pulp as a launching-pad into poetry.

Nonetheless, there is gold in these yarns if you panhandle patiently. Much of Horace McCoy's writing is excellent, like a low-life Hemingway. Marvel at the opening rhythms of *Kiss Tomorrow Goodbye*: "This is how it is when you wake up in the morning of the morning you have waited a lifetime for: there is no waking state." And Jim Thompson's *Pop. 1280* is one of the few "pulp" novels that is better than the film it inspired (Tavernier's *Clean Slate*): a brilliant tale of backwoods innocence sliding backwards into psychopathy.

The Black Box series isn't going to upset the seating in the American literary pantheon. Faulkner, Fitzgerald and Hemingway still sit above the salt, and Thompson, Boucher, Burnett and McCoy below. But just as "bad" movies are never a wholly thankless experience for the film critic—firstly because the kind of film that takes at popularity tells you a lot about what the public want (or are *thought* to want) and secondly because the works are often not so bad as a supercilious snap judgment first suggests—so these oft-scorned hand-me-downs from the crime shelves are well worth ransacking. Especially in our anti-elitist 1980s, when enlightenment is no less welcome, and perhaps more so, when it comes from the wrong side of the tracks.

Hitchcock with James Stewart during the shooting of "Rear Window." The novels of Cornell Woolrich, on which it was based, are among those reviewed today.

Out of jail

BY VALERY McCONNELL

One Night in Winter
by Alan Massie. Bodley Head. £7.95. 240 pages

Alan Massie has used the committing of a crime as the pretext for a conundrum. For his murder took place in the North East of Scotland 20 years ago and Candida, the murderess, is now out of prison and running a rehabilitation centre for ex-cons in the south of England.

The man she killed, Frazer Donnelly, was a bucolic bully, self-proclaimed champion of the new order—a free Scotland with free sex. Candida sees him as a destroyer rather than a liberator, so she puts a stop to his destructiveness one dark night in winter. Now a chance meeting in London has re-united her with the narrator of the novel, Dallas Graham.

Dallas hung around the fringes of Frazer Donnelly's circle. Alternately intrigued and appalled but ultimately ineffectual, he fails to prevent the murder, protecting neither victim nor murderess. Dallas drifts through the next 20 years of his life, letting himself be wafted on the currents of other people's desires until his meeting with Candida makes him review his past life.

So there we have the conundrum. Lack of conviction versus passionate intensity. But which is best and which is worst? Candida believes in sin and a moral order. She is one of society's carers and yet caring meant killing. Dallas doesn't know what he believes in. He dips a toe into all sorts of ponds. A bit of booze, a bit of writing, a bit of promiscuity (both sexes)—ending up with a failing antiques business, a grown-up family and a wife who throws him out.

Endlessly narcissistic, the mirror in which Dallas views himself and his contemporaries gives us Alan Massie's image of our society. The state we are in. Frazer Donnelly's death is an excuse. The dead body nothing more than a stone cast into the water to stir up what lies beneath the still surface.

And you can blame that rather hackneyed metaphor on the author. He can't resist a parallel—although his are much better. His prose bristles with vivid imagery as pervasive as the cigarette smoke and beer fumes that surround the action of the novel. Dallas's whisky hangovers are frequently chased away with pints of heavy the next day. Weak-minded he may be, but he certainly has a strong constitution.

Apart from the extremes of Candida and Dallas, there are many other characters who flicker like little shafts of light into the murky corners of modern life. There is Anne, Dallas's frighteningly rapacious TV-presenter wife; Alick, the pragmatic Marxist who likens a journalistic career to the Trojan horse and the capitalist media to Troy; and Amanda, Dallas's assistant at the antique shop, living with a black musician, having a rent-paying affair with a Tory MP and falling in love with a lesbian barrister.

As in his last novel, *The Death of Men*, which examined Italian political society in the light of the killing of Aldo Moro—Alan Massie has managed to use his characters to analyse "the human condition," while never allowing the ideas to become top-heavy.

A crime novel that isn't primarily about the crime, a psychological novel that is also philosophical, a sardonic look at London life that is mainly set in the Scotland of 20 years before. All human life—and death—is here.

Burgeoning bodies

BY BRIAN AGER

With Church of England bishops apparently queueing up to deny the Resurrection, the news that the bones of an obviously unrisen Christ had been found might produce only a ripple among the upper echelons of Anglicanism.

But the reaction in the Vatican and the White House, when the bones of one Jesus are discovered, in The Third Day by Michael Delahaye (Constable £7.95 300 pages), border on hysteria.

The revelation would be a major threat to their power, with the crumbling of church authority and instability in the Catholic countries of Latin America. But the Israelis are not revealing—yet. They are holding the bones as a threat to gain concessions from the U.S. So Rome and Washington team *with a group of Palestinian* fighters to snatch the bones.

This is a well-researched, thought-provoking thriller with as convincing a background as the same writer's The Sale of Lot 236, which dug deep into art auctions.

Ivan Duvakin the hero of May Day in Mayadan (Macmillan £7.50 253 pages) is one of life's victims. He drifts helplessly at the whim of fortune and his superiors.

In Anthony Olcott's first novel he stumbled by chance on a major party scandal in Moscow and helped a KGB colonel investigate it. Now he is reaping his reward—exile in Magadan, a frozen Siberian outpost.

Again he stumbles on a crime against the state. Furs are being stolen from crates at the airport. He does his duty in reporting his findings, is warned off probing the incident but then his old ally and adversary, Polkovnikov of the KGB, appears in Magadan and persuades Duvakin to help with his inquiries.

Duvakin's dreams of an eventual return to Moscow fade as he finds how many VIPs are involved in the furs theft and he realises that even life in Magadan has its compensations. Until the end of this funny-cum-tragic, violent-cum-sensitive novel Duvakin is unsure whether he will be faced with a fate worse than Siberia.

Masks and Faces (Collins, £6.95, 220 pages) studies a 13-year-old boy, his feelings, imaginings and relationships—particularly with his ageing classics master father and the mother who has deserted them both.

Clare Curzon, the author, probes the hopes and fears of this boy with sombre realism and builds up to the horrific murder and its investigation in the last 50 pages of the book which will ring alarm bells of recognition with many teenagers and their parents.

The Story of Henri Tod by William F. Buckley Jnr (Allen Lane, £8.95, 254 pages) is set at the time when the Communist bloc, worried at the mass defection of people to West Berlin were plodding onwards to their solution—the Berlin Wall.

It involves the world leaders, Kennedy, Kruschev and Ulbricht, the CIA and KGB and Henri Tod, leader of the anti-Communist Bruderschaft in West Berlin.

Tod is a dedicated, lonely man, dealing death to the enemies of his philosophy. But the Eastern bloc has a trump card—Tod's sister. He thought she had died in a concentration camp gas-chamber. Tod is tempted to take the bait, hoping not to get caught in this obvious trap.

Agent Blackford Oakes is overshadowed by this welldrawn character. This is a real thriller, but laced with whimsical political comment.

Devotees of the late Desmond Bagley will welcome Night of Error (Collins £8.95, 313 pages): it was written in 1962 in the same era as some of his early best-sellers, such as The Golden Keel and Wyatt's Hurricane.

It was withheld because Bagley wanted to revise it. Now it is printed with his revisions—just over a year after he died.

This novel from Bagley's vintage years has a little of everything—romance, violence, piracy and big business. It is spiced with a lunatic Australian, a sharp-shooting tycoon, Spanish cut-throats and a crew of hardened ex-commandos. And there is the expected unexpected twist in the tail.

The plot involves a hunt for precious seabed secrets, started by the mysterious notes among possessions sent to an oceanographer with the news of his brother's death in the Pacific.

Bullion thugs

BY MARGARET HUGHES

Special Payments
by Jeremy Woods. Hutchinson. £8.95. 188 pages (published July 23)

Only too well do I remember the disappointment on reading a financial thriller written by a former colleague. A financial journalist who had actually worked in the City he knew all about the wheeling and dealing at first hand. He was also a good raconteur, so that all the vital ingredients for a gripping financial thriller should have been there. But where his City intrigues should have been riveting and convincing, they were superficial and flat. His novel seemed very much written to a well-tried, if not tired, formula. *Special Payments* leaves the same impression.

Jeremy Woods is a financial journalist whose experience includes three years at the Investors Chronicle. More pertinent to his plot, steeped as it is in the world of gold bullion dealers, stock market speculators and the large mining houses, he spent some time as investment editor of the Johannesburg Sunday Times.

The style is as brash as one of his central characters—rough diamond Izzie Van Hoyen, the local boy, or in this case, Afrikaaner boy made good—"youngest of 11 children of one of the poorest families in the area," etc, etc. For mutual self interest Izzie forms a pact with the equally stereotyped, Eddie Vandermeer, privileged son of "one of the most prosperous and respected names on the Johannesburg Stock Exchange." The proverbial golden boy—tall, blond "with the looks of a movie star," Eddie has one "weakness" — his gambling streak which jeopardises both the family reputation and his father's life.

This unlikely pair join forces against the rich and powerful head of a mining house. Mark Ashford first learnt to cheat at his Grandma's lunch-table in London and has been playing similar tricks on his equally unsuspecting shareholders ever since in his bid to line his "black silk" pockets. Political manipulation is also his stock-in-trade.

The thrills, financial or emotional, of *Special Payments* will not exactly have you gripping the edge of your deckchair. But faced with a few hours to kill inflight or at the airport it is the kind of fast undemanding read which may help lessen the tedium.

Spires

A Shroud for Delilah by Anthea Fraser. Collins, £6.95, 211 pages.

Anthea Fraser has written some novels of the supernatural, but this is her first straight crime story. It is squarely in the tradition: cathedral town, young wife on her own, multiple murderer, plausible array of suspects. The story proceeds amid the most pleasant normality — shopping, taking kids to school, going to dinner-parties — but there is always a disturbing ground-base of fear. The author has a real talent for using all the familiar ingredients with welcome freshness and insight. W.W.

Bouquet for baddies

BY WILLIAM WEAVER

Sound Evidence by June Thomson. Constable, £6.95. 190 pages

June Thomson's Detective Inspector Finch—this is his tenth appearance—has the advantage of being palpably human, yet without those little supposedly characterising quirks that easily become tedious over long acquaintance (and one hopes that acquaintance with Finch will continue for years to come). He is usually faced, as he is here, with personal problems as well as professional ones; and though far from omniscient, perhaps not even brilliant, he solves both kinds of questions with common sense and compassion. In this new novel, the author devotes most of her time to the criminals and their victims and, once again, proves her great gift for conveying the feel of a place—a decaying neighbourhood, a country retreat — and the essence of a character, all with enviable economy. This is the sort of excellent work one has come to expect from the talented, but understated Thomson.

A Back Room in Somers Town by John Malcolm. Collins, £6.95. 158 pages

After having produced several guides to Victorian and Edwardian furniture, John Malcolm makes his debut as a crime writer with this nicely-wrought story about a young investment specialist (male) and a young art historian (female) and an obscure school-of-Sickert painting. An elaborate imbroglio involves the man in a hazardous trip to Brazil and also in some adventures closer to home. A highly satisfactory performance.

Bouquet Garni by Douglas Clark. Gollancz, £7.95. 201 pages.

A triple poisoning, mysterious not only because of the poison involved but also because of the lack of connection between the three victims, brings Masters and Green to a small provincial town. As usual, the Scotland Yard team spends much of its time eating and drinking (they seem to have uncanny luck in finding excellent, personally operated restaurants), but with them satisfaction of the appetite always stimulates the brain. And, like other cases of theirs, this one is solved by a mixture of medical (and, here, horticultural) expertise, deductive reasoning, and flair. Green is less abrasive than usual, and Masters less superior. The crime and its solution are rightly placed centre-stage.

In short

BY WILLIAM WEAVER

A Legacy from Tenerife by Robert MacLeod. Hutchinson, £7.95. 205 pages

A book by Robert MacLeod — or by Bill Knox, his real name under which he also writes — is bound to be a well-made, professional product. But though MacLeod-Knox has written several dozen thrillers by now, each novel has something fresh, original about it. This one combines a solid knowledge of the workings of the Queen's Remembrancer's office in Edinburgh with an appreciative feeling for exotic Tenerife, its foods, its inhabitants, and its inventive criminal activity. Jonathan Gaunt, the protagonist, is a convincing anti-hero, surrounded by a carefully-chosen supporting cast. Good plotting and terse prose.

Penny Black by Susan Moody. Macmillan, £7.50, 224 pages

With her first detective novel, Susan Moody has created a protagonist who strides right into the gallery of memorable amateur sleuths, to occupy a position of distinction. The half-African, half-English Penny Wanawake could hardly pass unnoticed: she is six feet tall, weights 126 lb, and is a young woman of beauty and style. When you get to know her (which takes no time at all), she proves also to be a woman of wit and intelligence. There are moments when Mrs Moody lays it all on a bit thick, but the story is really as gripping as its protagonist.

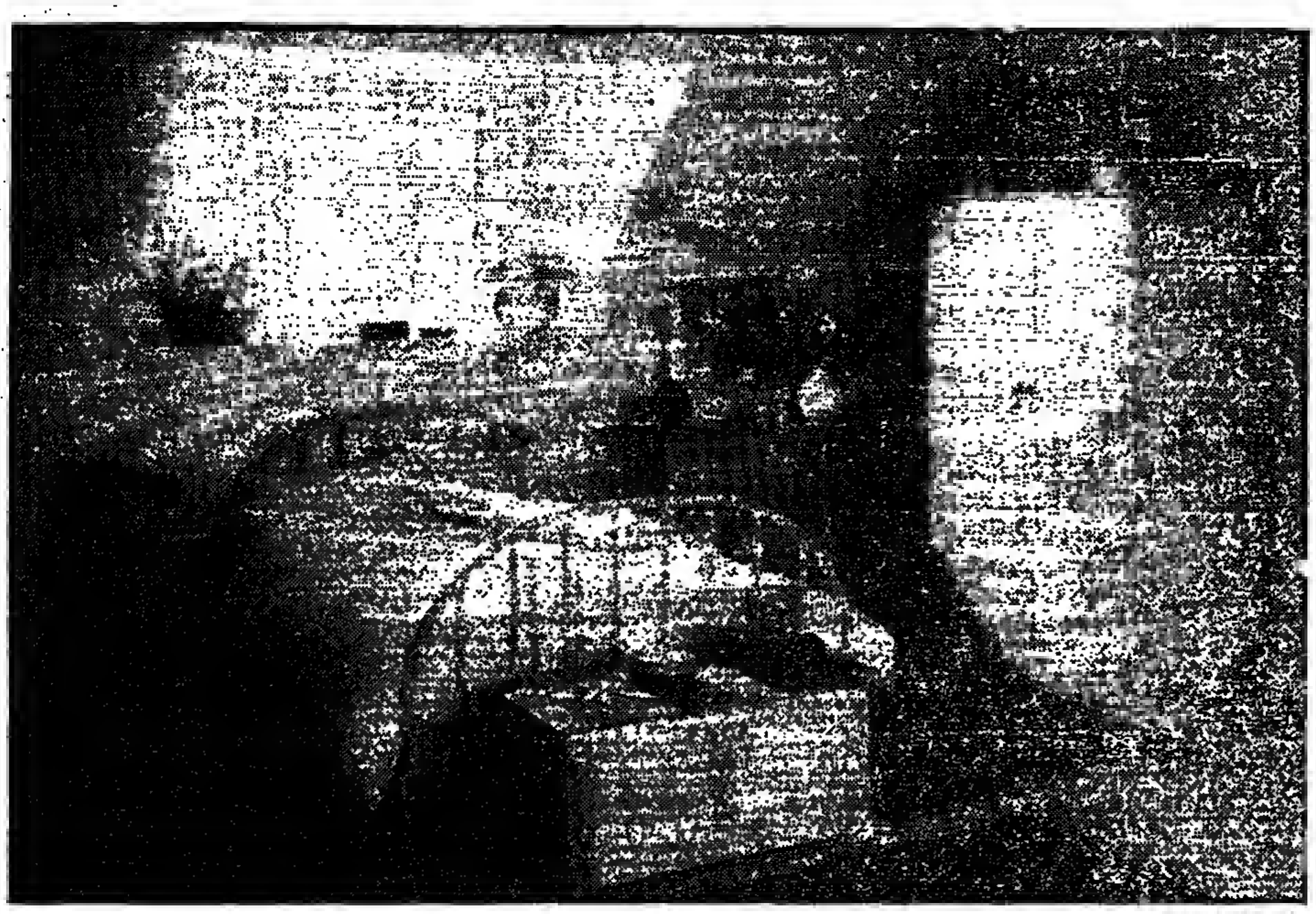
HOW TO SPEND IT

By Lucia Van der Post

Souping-up the Habitat image

IF you had begun to feel that though Habitat was undoubtedly A GOOD THING, it was perhaps becoming too predictable, then Sir Terence Conran wouldn't blame you. The big minds at Habitat have caught the public mood. They could sense, in the way that all the best retailers can, that its image was a little static. That it was seen by many as a one-look store, the kind of place to go for chirpy items to cheer up a student's bedroom, for jolly rugs at lovely prices but not the place for serious furniture or the sort of quality that it seems the public are now looking for.

Which is why anybody wandering into a Habitat store next month or leafing through the latest catalogue (due in all Habitat stores and newsagents on Saturday, August 25) is in for a big surprise. Not too big a surprise, though—the old basic Habitat will still be there but topped up, like a layer of thick, rich cream, with a new more upmarket, more quality-conscious collection of household artifacts which make up what Sir Terence calls the Country Look. But the visual association here is not so much peasant and rustic as sophisticated Arts and Crafts, more country house than country cottage, more fine, soft cottons and gentle china than textured weaves and terracotta.



The cornerstone of the new collection is a range of furniture given the name of Quaker and anybody who has admired Shaker furniture as long as I have will see at once its lineage. Simple without being dull, solid without being heavy, it is infinitely pleasing to the eye.

All of it has been designed as a group effort by the Habitat in-house teams and though its visual links with the Shaker movement seem to me obvious it shouldn't be confused with straight reproduction furniture. It has caught a mood, a feeling, but it has, as Sir Terence himself puts it, "a slight tension and austerity to it" which gives it a character all its own.

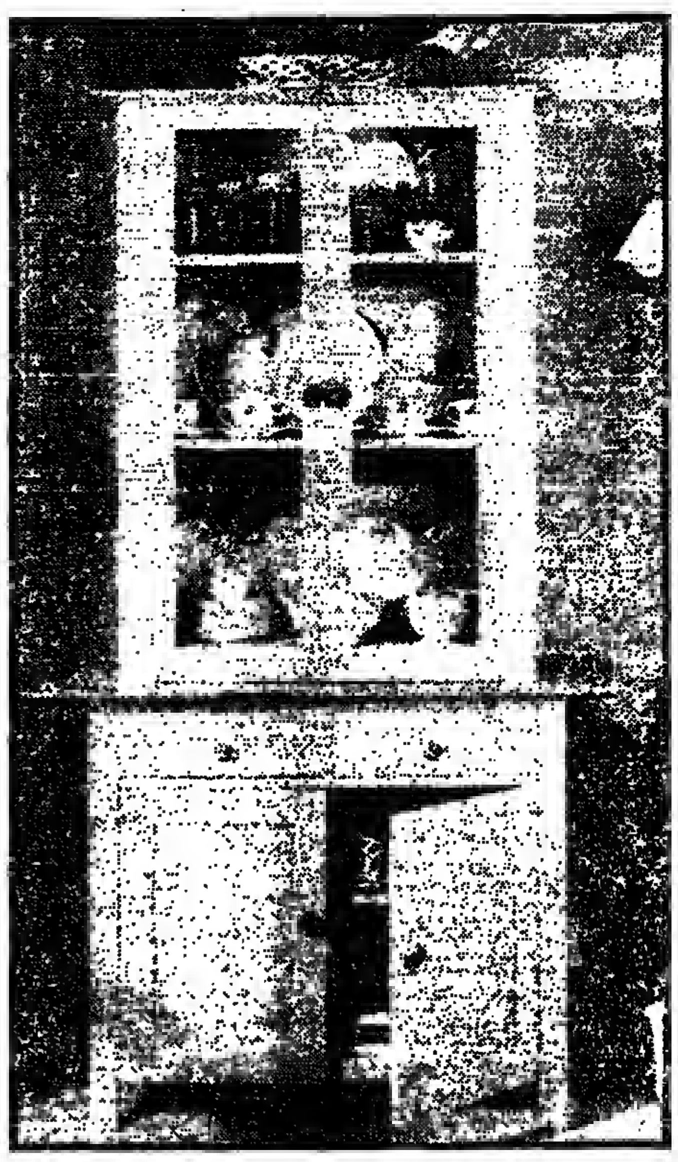
The buzz adjective they attach to it at Habitat is "serious." Serious it is indeed in the sense that it is designed to last and not just a stepping-stone to something better. All the cabinet-work and legs are made from ash and all the tops are of mitred oak. All the pieces have a high percentage of solid wood and much attention has been given to things like the ironmongery, the lacquer, the finish. The truly astonishing thing about the collection is the prices—a whole wardrobe complete with sliding shelf at the bottom of £199; chests of drawers, sideboards, console tables all hover between £100 and £120.

Then there are new sofas in curvy, comfortable shapes sold in plain calico so that customers can choose from a much wider range of fabrics for the covers. There are also all the smaller bits and pieces that contribute to the whole new upmarket Country look—fresh, flower-sprigged bedlinen or, even better, plain white bedlinen at prices that won't break the bank (£22.95 for a double duvet, £5.95 for a pillowcase).

Clever, too, are the plain white damask tablecloths and napkins—the sort of thing that until now has had to be tracked down in fine, expensive linen departments of exclusive stores. There are dhurries coloured to tone in with the new fresh fabrics at very good prices, soft opaline glass lamps with brass, new wallpapers and the reintroduction of the deliciously pretty Asiatic Pheasant china in shades of white and soft, washed-out blue.

It is probably the largest new complete range ever added to the Habitat stores in one big dollop, part of a concerted effort to "move things along," to offer the customer a valid alternative to what the Habitat team call the Life-style look that it has until now chiefly purveyed. Next year will see more concentration on yet another option—the urbanised, City sophisticated look, some elements of which are already on sale but which will emerge in a more comprehensive way as time goes on.

In the meantime, those who are in a hurry to see the new Quaker collection can see it now in the branch at 196, Tottenham Court Road, London W1. From mid-August it will be in all stores throughout the country.



FAR LEFT

Country Style bedroom featuring many of the items that go to make up the whole look, including the flower-sprigged bedlinen and furniture from the Quaker collection. The Marlow bed is £219, the bedside table, £59, the chest-of-drawers £149, the blanket chest £85 and the wardrobe, perhaps the best value of all, is £199. All are made from a combination of ash and oak, all come in knock-down form with screwdriver, brass screws and hinges all included.

LEFT

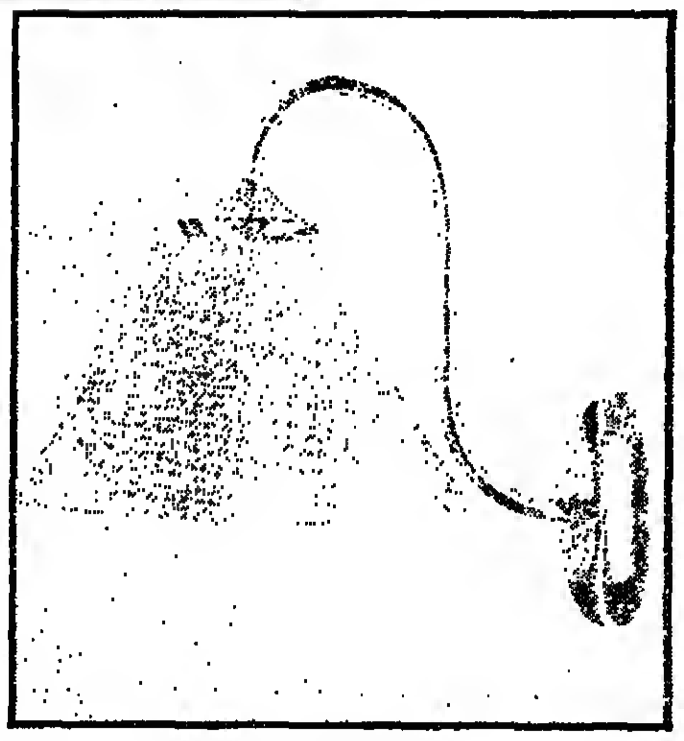
One of the most attractive pieces from the Quaker collection—a glass-fronted shelving unit, showing a selection of china against a green lacquered back. Below it is base cupboard with two drawers and two-door cupboard. Each costs just £119 and both can be seen and ordered now at Habitat of 196 Tottenham Court Road, London W1.

LEFT

Asiatic Pheasant, in shades of white and a soft washed-out blue will, I think, be one of the runaway successes of the new collection. A design revived specially at the instigation of the Habitat team, Burgess & Leigh, which makes it for them, found some of the original old engravings were still in its possession and recreated the ones that were missing, to give a set of china with an authentic nostalgic Country House air. The teapot is £12.50, the teacup, £1.75, the saucer 95p and the breakfast plate is £2.15.

RIGHT

The new collection offers some exceptionally elegant light fittings combining brass and opaline glass—shown here is a single wall lamp costing just £19.95. There is, however, a very useful double hanging light version which features two lamps attached to a brass rod — ideal for siting above dining tables.



Pack it all in

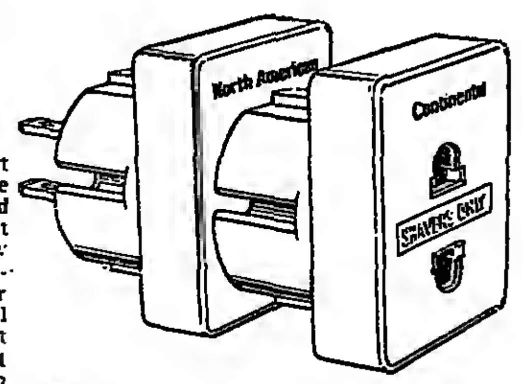
THOUGH a minimum number of gadgets seem to me to be essential for those travellers who don't wish to be separated from too many home comforts, there is a whole host of other essentials that can't quite be classified as gadgets.

Take, for instance, insect repellant. A colleague is currently trying out the latest one, Jungle Formula, in the northernmost reaches of Lapland (old Lapland hands will, of course, know that there is no more severe test of efficacy than Lapland in July, though a few dissenting voices near at hand think that the Highlands of Scotland would do just as well).

Those who are setting off before we have the full report from our intrepid reporter might like to know that early news from the stores does sound encouraging—it really seems to keep off all the usual small things that buzz and bite. £2.50 a bottle, to order only from Boots.

Lancome has this year taken the business of sunning to sweet-smelling lengths and offers creamy lotions for pre, during and apres sunning. For the sort of sunburn that is so bad that it actually stings and burns Noxzema Skin Cream, already much used in the U.S., is now on sale over here—non-greasy and thankfully neutral-smelling it is £1.79 from Boots.

I've been taking a look at some of the first aid kits on the market and none seemed to give value for money—most seemed over-priced collections of the sort of thing one could put together more cheaply oneself. Find a sturdy box, pack in aspirins, Alka Seltzer, plaster, antihistamine creams and whatever else you or your family might need and if it makes you feel better stick a label with Red Cross and First Aid written on it and you will have a kit at least as good and certainly much cheaper than those on sale.



ABOVE

For those travelling to foreign countries and wanting to use the small electrical appliances they consider essential to their holiday comfort, great care should be taken over plugs and adaptors. Most good electricians still feel that the only really safe option is always to change the plug on arrival.

If you are going to America, for instance, you are much safer to buy a plug on arrival and change the one on your appliance (as well, of course, as switching the voltage over). Those going to Europe might like to know that Continental Electrical Components of Great Gutter Lane, Willerby, Hull, sells appliance plugs at very reasonable prices by post. For £1.70 (including VAT, p+p) it will send you a plug with two pins plus earth connections wired up in exactly the same way as UK plugs and which is absolutely safe for using on appliances on 120/220 voltage.

Caravans are another potential source of danger—if for instance, the earthing on a particular plug isn't right the whole caravan is more or less live. CEC sells a caravan plug designed for fitting to a supply cable and making a plug-in connection to the appliance inlet for £2.90 (again, including VAT, p + p).

If, however, you can't be bothered to change the plugs each time you arrive in a new country, the adaptors now on the market are infinitely safer than those of earlier years. The crucial point to remember is not to use one where the appliance needs earthing. It isn't always easy to tell which do and which don't—by and large, smaller things like curling tongs, shavers and curling sets are safe, larger gadgets like irons and some hair dryers are not.

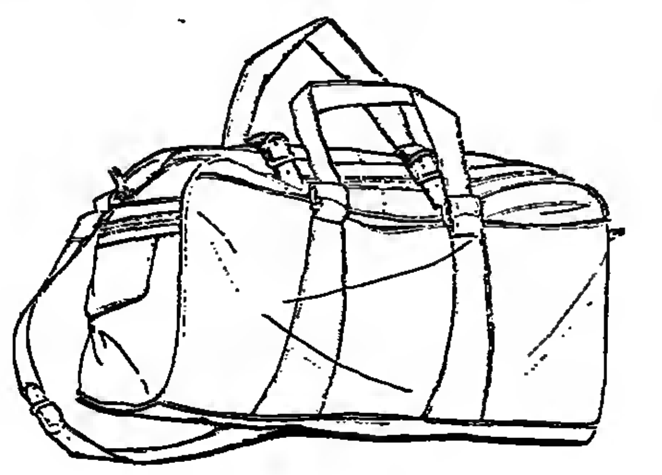
Woolworth sells its own adaptor set (shown sketched here) which can be used with low current gadgets (up to 550W) where two-pin plugs are normally used—there are adaptors for round-pinned sockets and ones for flat-pinned ones. But it is NOT suitable for gadgets which are earthed. Stocked by most Woolworth and all Woolco stores, it costs just £2.99.

ABOVE

Clare Brooks

The modern answer to Carmen rollers—lighter, squashier, easier to pack, Schuml Shapers come nine to a packet. The shapers themselves are in assorted colours, of blue, yellow and red and they are seen not just as a practical hair aid (put them in your hair and wind your hair round them and in about 15 minutes they will have absorbed heat from your head and caused your hair to curl in the desired way) but as fashion accessories.

Personally I think you'd need to be exceptionally self-confident or of an extrovert turn of mind to be able to wear them as a fashion accessory but for practical purposes they do seem to work. Made from a bendy foam fibre they are soft enough for them to be comfortable when worn at night. A small packet (shapers 4¼ in long) is suggested for short hair at £7.99 for nine, the large packet (10½ in long shapers) is recommended for long hair, £9.99. From Schumi hair salons in London and the wig departments of major stores all over the country.



ABOVE RIGHT

Fans of the Enny range of bags will not need me to be too lyrical about the quality of the leather, or the soft, squashy air of luxury, or the fineness of the detailing but those for whom the range is new might like to start their acquaintanceship by inspecting Enny's latest design, a soft, capacious hold-all, sketched here.

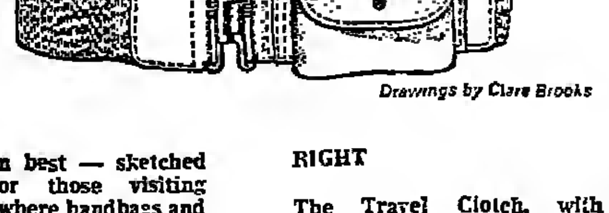
It comes in a range of the usual Enny colours — white, black, brown, deep red, dark green — has two side pockets, a shoulder strap for easy carrying but its chief charm is its undeniable air of quality. There are two sizes, 17 ins by 6 ins which costs £165, or 21 ins by 8 ins which is £235 —but both would be suitable for most people's overnight or carry-on luggage needs.

Available to order from Harrods and Harvey Nichols in London or Kendal Milne in Manchester and Bags and Baggage in Glasgow.

RIGHT

How to carry safely the numerous documents and currencies that modern travel seems to involve presents something of a dilemma. If you keep everything together you do at least know where it all is, but if you lose one thing, you lose the lot. On the other hand, if you try to hedge your bets and keep passports, money, credit cards and tickets all separately you need to be uncommonly collected to be able to place your hands immediately on the bit you need.

I leave readers to make up

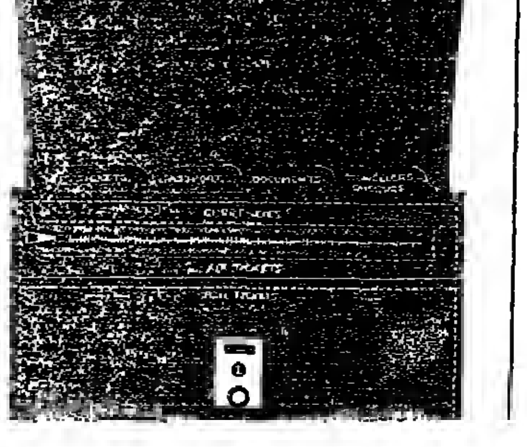


Drawings by Clare Brooks

suits them best — sketched above, for those visiting countries where handbags and wallets are regarded as fair game on the streets, a money belt is the answer. The one shown here has a stretch belt while the purse itself is leather. In red, black or electric blue it is £12.95 from Fenwick of 63, New Bond

RIGHT

The Travel Clutch, with sections for tickets, passport, travellers' cheques, air tickets, rail tickets and a zipped portion for coins, should help keep you organised while you travel. 8¾ ins long by 5½ ins wide, it is £16.95 (p+p £1) also from



ARTS

Dominic Gill visits a French festival

Beethoven in a barn

The 13th-century fortified farm of Meslay, surrounded on three sides as far as the eye can see by fields of maize, barley and wheat, and on the fourth by an ancient stand of oak and chestnut, lies some ten kilometres north-west of Tours in the fertile plain of the Loire. Though the Paris-Bordeaux motorway now passes less than a kilometre away, the years have not changed it greatly. Meslay is still, as it has been for more than seven centuries, a working farm: the entrance gate crowned by a high stone tower leads on to a courtyard whose walls enclose, with solid mediaeval pride and not without a certain solid grace, a lake, stables, sheep-pens, cellars, kitchen gardens — and most proudly of all, a barn, the Grange of Meslay, a magnificent edifice constructed in 1220 by the rich monks of Marmoutier to house their harvest tithes.

The original farmhouse nearby was burnt to the ground by the Germans in 1944: but Meslay's Grange remains, barely touched by centuries of war and weather, today one of the most striking examples of the European domestic architecture of its age, miraculously intact. The word "domestic" in any case hardly suits it—60 metres long and 25 metres wide, its broad tiled roof supported by a tracery of chestnut tie-beams and rafters set on 24 massive oak pillars, the Grange has more the air of a romanesque church built in wood, more *basilique* than barn. But domestic barn it is nonetheless, for 50 weeks of the year; and for the remaining summer fortnight Meslay is also a most unusual festival-place, with the Grange, the sweet smell of hay and corn still clinging to its rafters, its concert hall.

It was the Russian pianist Sviatoslav Richter, helped by a group of local friends and music-lovers, who first discovered, and in 1964 eventually founded, this "lieu festivalesque unique au monde." For intimate, festive music-making the setting is as nearly perfect as one could wish. The acoustic of the Grange, with its natural rows of oaken baffles and solid floor of heaten earth, is on the dry side, but close and warm nonetheless, and nowhere—even in the farthest seats from the platform, which is placed at the centre of the long west wall—unclear. It is kind to voices: kind to instrumental ensembles, sweetly blending brass with strings, without confusing the sonority or picking out either in too vivid relief; and above all kind to the piano-recitals given by the Messiaens, by Michelangeli, Arrau, Pollini, Brendel, Lupu, Gavrilov, and always by Richter himself, have been in past years the glory of the festivals.

Each year, naturally, the scheme is different. When I last visited Meslay nine years ago, the programme was a potpourri of magical variety, old and new, solo and chamber—Richter played Bach, Michelangeli played Ravel, the Beaux Arts Trio played Beethoven, Boulez conducted Stravinsky and Berg. There have also been themes: "French music," "Renaissance music," "the Lied," and last year, "Religious music" have all provided the framework for the double weekend. This season was devoted to a more austere, but no less holy, enterprise: a cycle of the complete string quartets of Beethoven, presented by six distinguished ensembles, and interleaved by a selection of other Beethoven chamber works.

All sorts of practical considerations will have conspired to prevent performance of the cycle in chronological sequence: not least the difficulty of persuading ensembles to play just one slice of the oeuvre, early, middle or late, and the need to make up balanced programmes. It was really my only regret that *ad hoc* allocation of programmes robbed us of the visionary force and cohesion of the sequence; and perhaps too, in an ideal world, the works would have been matched very closely to the performers: the op. 18 quartets shared, say, by the Melos, the Lindsay and the amazing young Takács from Hungary; the Rasumovskys by the Tatrai and Juilliard; the late quartets by the Amadeus, Bartók and Borodin.

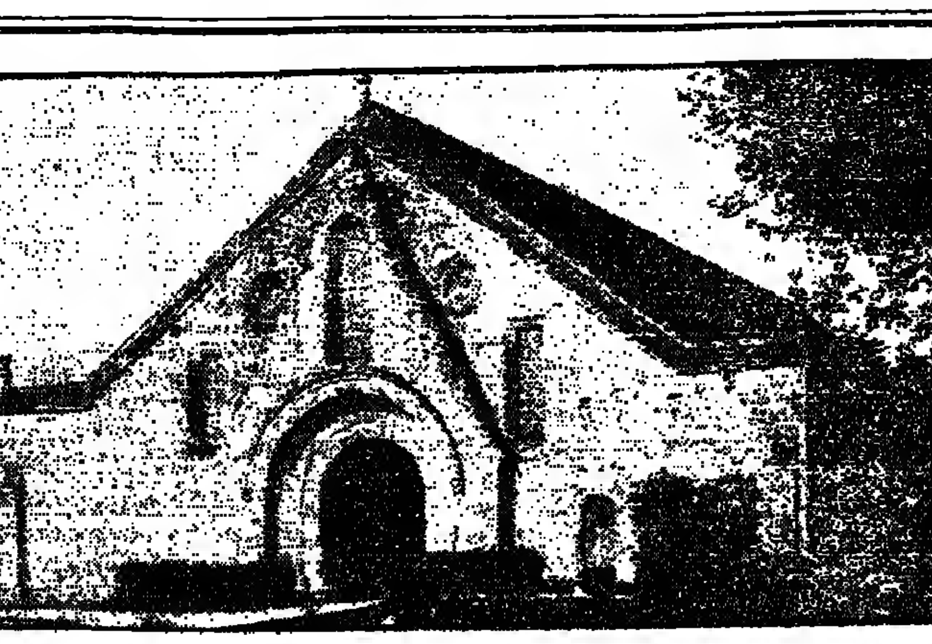
No matter: in the event disappointments were more theoretical than actual, nearly always eclipsed by the excitement of the music, the performances, and the context. The Amadeus opened the cycle, on one of those warm, windy evenings indivisible from summer in Touraine. The sun slanted golden over the cornfields: cockerels crowed loud in the yard: there was a great charge of expectancy in the air, and the players were nervous. How revealing here, and at every subsequent recital, was the Grange's close and merciless focus on the intimate workings of chamber music! Every mannerism, tic and tension was amplified—but so too, and more importantly, was each delicate insight and sudden, electric surge.

The Amadeus gave us early and late: the first F major quartet and the C sharp minor op 131. They were not altogether at ease: but again and again, just as a phrase or gesture had failed to come perfectly together, or as the ear began to tire of Norbert Brainin's relentlessly broad vibrato, one player singly, or all as a group, would produce a detail so exact and beautiful, so dazzlingly eloquent, that reservations were quite forgotten. The quartet sonority above all was masterly, that thrilling and paradoxical hetero-homogeneous blend, perfectly balanced, of four entirely distinct musical timbres and personalities (and if it had come later in the festival, its quality would have been appreciated still more). Their presto of op 131, taken breathlessly fast, came briefly unstuck, but in no other way could have generated such an irresistible sense of risk and attack.

Of the remaining five ensembles only two, the Melos from Stuttgart and the Borodin from Russia, were truly of comparable rank. The Orlando Quartet from Holland gave three of the op 18 quartets with energy and humour, and with the kind of infectious dedication and spontaneity that chamber music-making is *au fond* all about. But likeable as they were, interpretations were of a different class of technique and experience—as were those of the Viva Nova, arguably the best French quartet from a country which has never excelled in that department. Closed eyes and expressions of seraphic concentration, the Viva Nova should note, are never adequate substitutes for good intonation.

The Brandis Quartet however, who came last, were the programme's only serious anti-climax—for to them was granted op 127 and op 130 with the *Grosse Fuge*, which they delivered with all the solid and unyielding correctness one might expect to hear from four players trained in the first desks of the Berlin Philharmonic, and who have spent years, like most orchestral musicians, forgetting how to listen properly to themselves.

It was left to the Borodin and Melos to make up for all, and more, in three recitals between them of glittering virtuosity and ravishing inspiration. I would not have missed the Borodin's op. 95 for the world, nor the Melos's third Rasumovsky—but there were miracles in everything they played. There was no solo music: but Richter twice joined forces with his friends, notably with the Borodin's violin and cello for an Archduke piano trio of haunting poetry and fervour. Meslay is made of such magic moments.



The Grange at Meslay: magic moments

Comic cuts

If a being from Outer Space visited our planet, what on earth would be make of the following spectacle? Four- or five-hundred people in a darkened room making loud staccato choking noises as they sit facing a fluctuating well of light.

Is it a vision of 1984? A lost episode from Dante's Inferno? No, it is a movie audience watching a comedy. You have to stand outside the phenomenon of laughter to realise just how weird it is. "Spasmodic utterance, facial distortion, shaking of the sides," intones the dictionary, as if describing a form of torture or something epileptic. And laughter can, of course, be both. We have all been appalled by the advent of a giggling fit at an inopportune moment.

My own worst used to occur during services at my school chapel; not through religious disrespect but because of an eccentric ordained master who used boomingly to open his sermons with such sentences or sayings as "Potatoes!" or "Madam, you have run over my slug with your Rolls-Royce." These episodes marred me for life since even today I tend to laugh uncontrollably only in situations where I shouldn't.

However, I did have a fit in the privacy of my own home during *Kiss Me Goodbye* (CBS/Fox). This slice of all-star whimsy, never seen here on a big screen, goes for charm rather than hilarity, as New York widow Sally Field marries Egyptologist Jeff Bridges only to find that her dead husband (James Caan) is a happily flourishing ghost in their mansion. The laughs are fitful, mainly issuing from Claire Trevor as Miss Field's Mum, tartly deprecating her desire for wedlock ("Why not start with a simpler hobby, like needlework, or analysis?"). But there are two scenes guaranteed to provoke guffaws: one, especially and memorably, involving a "possessed" dog.

The boon of comedy on video is that since you watch it alone, or in the company of people who know you too well to be surprised by anything you do, you're never embarrassed as in a cinema by being the only person laughing. (Or not laughing). I first saw *Having It All* (GTO) at Cannes, where alone among dozens I found myself chortling at the tale of a "bi-coastal" American dress designer (Dyan Cannon) shuttling between LA and NY, where she keeps respectively a lover and a husband.

Hart Bochner and Barry Newman play the men, but the knockout presence is Miss Cannon. She is a joy whether keeping her end up during a snooty wine-tasting evening in the Napa Valley ("Too complex, this claret?" "Psychotic") or screaming passing joggers into a seizure during a row with hubby Newman in Central Park. The film is simple but fun.

Comedy, being personal and unpredictable, is the great leveller of reputations. I have never found Rene Clair's films funny, though I know I am supposed to. His 1934 comedy *Le Dernier Milliardaire* is issued by EMI in a sparkling print with exemplary subtitles, but 50 years on this Ruritanian caper seems oddly flavourless, like *Duck Soup* without the Marx Brothers. I tittered briefly at the lunatic dictats of the ruler of Casinario (Max Dearly) after he has been hit on the head: he ordains that men with beards must wear shorts on Sundays and holidays that barter must replace currency (a newspaper costs two leeks and a carrot) and that new hats must be taken from shops and thrown into the sea to stimulate the economy. (Has Mrs Thatcher thought of

VIDEO

NIGEL ANDREWS

this?) But elsewhere the film is a plod through prinking performances, perfect camera angles and permafrost smiles.

Laughter, like hunger, can strike unexpectedly. The gourmet meal at the proper hour (Rene Clair) can be a lot less mouth-watering than the raid on the larder at three in the morning. *The Night The Prowler* (Precision) is an out-of-the-blue Australian oddity, written by Patrick White and directed by Jim (*Rockey Horror*) Sharman, whose first half is gloriously funny. Its shell-shocked Sydney suburbanites—beefy 19-stone daughter Felicity ("Chi-Chi") who thinks she's been raped, puffing and portly Father and Mother who keeps a permanent hot-line open to best friend Madge ("Madge, I had to ring . . . !")—are a collective threat to the primacy of Dame Edna Everage. There are plaster ducks and the vengeful hiss of Fairy Liquid. The film veers off badly into a darker, would-be allegoric second half. But for 50-odd minutes Sharman directs with a comic timing and panache worthy of *The Graduate*.

Black on black and ethnic cultures

RADIO

B. A. YOUNG

"Black Theatre," as discussed in Radio 4's *Mislike Me Not for My Complexion* on Thursday, is not a goal that all black theatre people see alike. The programme, written and presented by the black director Alby James, was fair in presenting different attitudes. Hugh Quarshie, the young Ghanaian actor who has played Hotspur for the RSC (though not often), thinks a black player should be ready for any part, white or black, though he would not enjoy parts in which black characters were bad. James Fenton made the simple point, though, that an actor should really want to play someone who was not himself.

On the other hand, Mr James calls for a new theatre "more concerned with self-discovery and re-identification with black people, black rituals and black cultures around the world." There is always the difficulty overlooked by partisans of "ethnic" art, that the black cultures of, for instance, the West Indies, the Kikuyu, the Bushmen and the Australian aborigines have little in common apart from not being English. If a multi-ethnic culture should evolve, it might indeed prove as lovely as other alien cultures like, say, the Noh theatre. But it won't happen in a hurry. The English theatre is over five centuries old. So is the Noh, for that matter.

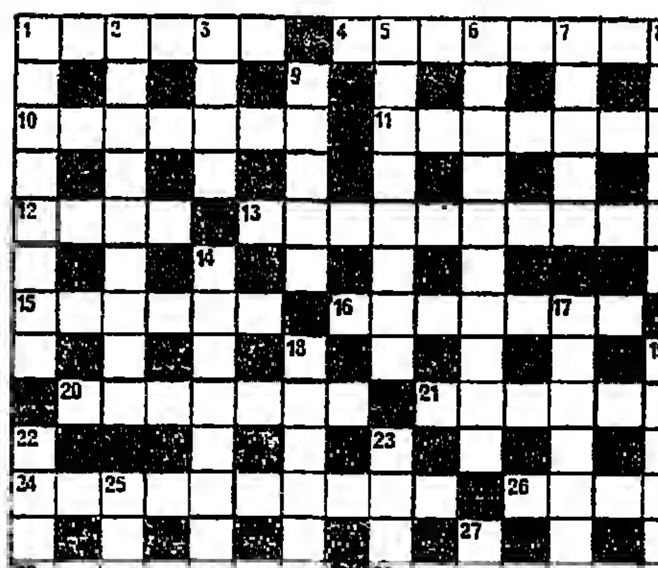
I know of lots of good black actors, but few good writers, fewer directors. Caryl Phillips, a young black writer from St Kitt's, had three plays produced as reputable theatres within two years after coming down from Oxford: no prejudice discernible there. "I think we should have a hall," we were told, a good hall with lots of space and lighting, and so on, where the black arts could be housed. As it happens, the GLC has given the Roundhouse; but if it hadn't, shouldn't someone have taken his finger out and found a hall, as the English Stage Company, and the Tricycle, and Inter-Action did?

As I see it, a truly black theatre, independent of the European theatre, must, indeed can, be developed only by black players wholly concerned with the scheme. Black players who just want to be actors must take their chance with the others. Many have done so, and done well. There will be difficulties for a long time yet; the English theatre is not well furnished with suitable parts, either in classics or in new works. But it will all come.

The BBC is determined that the image of the last half-century's entertainment shall not fade. Radio 2 is nearing the end of its *Million Dollar Musicals*; on Tuesday Stubby Kaye reminded us of *A Star is Born*. On Wednesday Hubert Gregg's capacious memory split into the same channel; his programme is so well-established now that the Radio Times gives us no more than its title. On Thursday, Alexander Walker told us on Radio 4 all about Cary Grant. Back to Radio 2 on Friday for a new series, *Broadway Babes*, about leading ladies in Broadway musicals over the last 40 years. Sheridan Morley set this off on a promising course with Ethel Merman, for whom he had a wide choice of the best of Gershwin, Berlin, Cole Porter, Sondheim *et hoc genus omne*.

Brief appreciations for Radio 3's readings from the autobiography of Lorenzo da Ponte (who wrote *Le Nozze di Figaro*, *Don Giovanni* and *Così fan tutte*), and for Giles Cooper's *Mathry Beacon*, about the isolated detachment of Gunners who never heard about the end of the war and became a self-supporting peasant community. (All very well, but what happened to their pay and rations?)

F.T. CROSSWORD PUZZLE No. 5,465



A prize of £10 will be given to each of the senders of the first three correct solutions opened. Solutions must be received by next Thursday, marked Crossword in the top left-hand corner of the envelope, and addressed to the Financial Times, 10 Cannon Street, London EC4P 4BY. Winners and solutions will be given next Saturday.

Name ....

Address ....

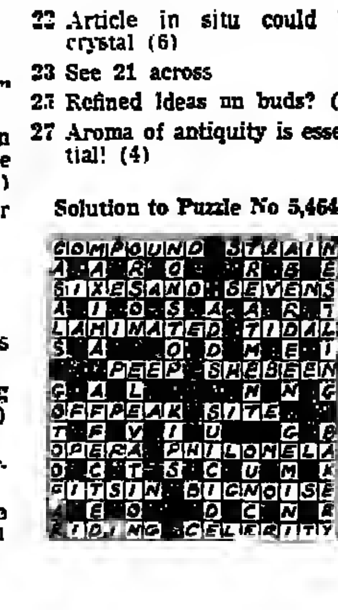
ACROSS

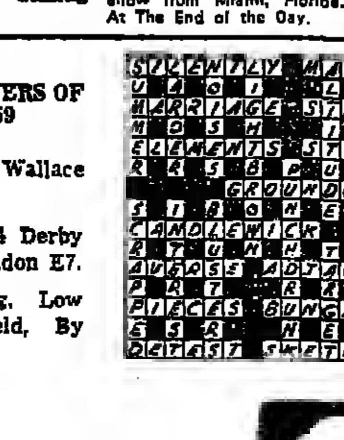
1, 4, 10 Decide former minister's line—and keep it! (6-8-7)
11 Great sort of struggle—loss a disaster (7)
12 Our highest station—depression caused by blow (4)
13 Famous viaduct, source of Lancashire river (10)
15 Lies should be to the counter, and lie may be (6)
16 Soon, without many words (7)
20 Cobweb for Venus? (3-4)
21, 23 Lovely way to secure tome? (6, 5)
24 See 29
26 River of paradise? (4)
28 Alice of "Room at the Top" —i.e. summit (7)
29, 24 I start out differently on pulling of loads—people come miles to see me (7, 10)
30 Mover moved in before, for good (8)
31 Underline tension (6)

DOWN

1 Sacred part of Yorkshire has the edge on Helvellyn (8)
2 Line with train running about every three years (9)
3 Linen for tennis (4)
5 Hunt a boa seen from motorway (8)
6 Permit for line includes the Queen, holder of post (6,4)
7 The meaning of prudence (5)
8 Some of the rescuers need a tonic—money (6)
9 Words of song in theatre (5)
14 Cartmel's in trouble—due to running it from Whitehall? (10)
17 Good opening shot for house removed from road (4, 5)
18 Rebel with little power on which rising is to depend (8, 5)
19 Spring flowers for canoist (8)
22 Article in situ could be crystal (6)
23 See 21 across
25 Refined ideas on buds? (5)
27 Aroma of antiquity is essential! (4)

Solution to Puzzle No 5,464





SOLUTION AND WINNERS OF PUZZLE No. 5,459

Mr R. Gedling, 27 Wallace Fields, Epsom, Surrey.

Mr D. Chatterton, 34 Derby Road, Forest Gate, London E7.

Sir Simon Dunning, Lowe Auchengillan, Blanefield, By Glasgow.

BBC 1

*Indicates programmes in black and white

6.20-6.25 am Open University. 8.40 The Saturday Picture Show. 10.52 Weather. 10.55 Grandstand including 1.05 News Summary; Cricket: Third Test—The Cornhill Insurance Test Series, commentary on England v West Indies from Headingley; Golf: The Lawrence Batley Classic from Sutton Coldfield; Racing from Lingfield at 1.45, 2.15 and 2.45; Show Jumping: The Everest Double Glazing Grand Prix from Hickstead. 5.10 Automan. 5.55 News. 6.05 London and Scotland—Sport; South West (Plymouth)—Spotlight Sport; All other English Regions—Sport/Regional News; Wales — Sports News Wales; Northern Ireland—Northern Ireland News and Sport. 6.10 The Copperfield Comedy Company. 6.40 The Saturday Film: "Rio Bravo" starring John Wayne, Dean Martin, Angie Dickinson and Ricky Nelson. 9.00 Dynasty. 9.45 News and Sport. 10.00 Bird of Prey by Ron Hutchinson. 10.50 Saturday Late Film: "The Outside Man" starring Jean-Louis Trintignant, Ann-Margaret, Roy Scheider and Angie Dickinson.

BBC 2

6.25 am Open University. 3.10 pm Saturday Cinema: "The Diamond Queen," starring Fernando Lamas, Arlene Dahl and Gilbert Roland. 4.30 Cricket: Third Test from Headingley on the third day of The Cornhill Insurance Test, England v West Indies. 6.10 One of the Family. 6.30 Airplay—9 June 1984. 7.00 News and Sport. 7.15 Prima! 7.30 Countdown to the Moon. 8.00 Mick Burke Award 1984. 9.00 Saturday Review. 10.00 Cricket: Third Test (highlights of the third day's play). 10.50 Newsnight International: Iran. Reports on the war between Iran and Iraq. 11.20 News On Two. 11.25-12.05 am Show Jumping (highlights of today's Everest Double Glazing Grand Prix).

LONDON

6.25 am TV-am Breakfast Programme. 9.25 LWT Information. 9.30 Sesame Street. 10.30 No 73. 12.15 pm World of Sport: 12.20 Rugby League—New Zealand v Great Britain from Auckland; 12.45 News, followed by Australian Pools News; 12.50 Tour de France; 1.20 The ITV Seven from York and Ayr (introduced by Derek Thompson and John Oaksey); 3.10 Boxing from Bloomsbury Crest Hotel, London; 3.50 News Round-up; 4.00 Wrestling; 4.45 Results. 5.00 News. 5.05 Whiz Kids. 6.00 The Pyramid Game. 6.30 Some You Win. 7.00 Russ Abbott's Madhouse. 7.30 Ultra Quiz. 8.00 The Gentle Touch. 9.00 News. 9.15 Aspel and Company. †10.00 [illegible] the Famous. 11.00 "Passion Flower Hotel" starring Nastassia Kinski. 12.45 am London News Headlines followed by The Tube Return Ticket. 1.30 Night Thoughts with Bruce Bernard.

CHANNEL 4

2.00 pm Ark on the Move. †2.30 "Pack Up Your Troubles" starring Laurel and Hardy, with James Finlayson. †3.45 "Paris 1900." 4.35 Buffalo Bill. 5.05 Brookside. 6.00 Ear Say. 7.00 News Summary, followed by Seven Days. 7.30 World Alive: Spain. 8.00 [illegible]. 9.00 Callan. 10.00 They Came From Somewhere Else. †10.35 "Public Enemy's Wife" starring Margaret Lindsay with Pat O'Brien and Robert Armstrong. †11.50 "The Smiling Ghost" starring Wayne Morris and Alexis Smith.

S4C WALES

2.05 pm A Week in Politics. 3.45 Bacchanal. 4.40 Questions. †5.10 Feature Film: "Somewhere on Leave." 6.40 Country Routes. [illegible] 9.15 Callan. †10.15 Feature Film: "Call Northside 777," starring James Stewart.

REGIONS

IBA Regions as London except at the following times:—

ANGLIA

11.00 pm Miss Universe 1984: Beauty show from Miami, Florida. 12.30 am At The End of the Day.

BORDER

9.25 am Great Cartoon Stars. 9.35 Standby, Lights, Camera, Action. 11.00 pm Miss Universe.

CENTRAL

9.25 am The Great Cartoon Stars. Standby Lights, Camera, Action. 11.00 pm Miss Universe: 62 beautiful contestants from all over the world compete for the title of Miss Universe, with prize money and prizes totalling $175,000.

CHANNEL

9.25 am The Wonderful Stories of Professor Kitzel. 9.30 Thunderbirds. 10.20 Puffin's Pla(i)ce. 12.14 pm Channel Islands Weather Summary. 5.05 Puffin's Pla(i)ce. 5.08 Whiz Kids. 11.00 Miss Universe 1984.

GRAMPIAN

[illegible]

GRANADA

9.25 am The Wonderful Stories of Professor Kitzel. [illegible] 11.00 Miss Universe 1984. [illegible]

HTV

9.25 am The Wonderful Stories of Professor Kitzel. [illegible] 11.00 Miss Universe.

SCOTTISH

[illegible]

TSW

9.25 am The Wonderful Stories of Professor Kitzel. [illegible]

TVS

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible] 11.00 Miss Universe. 12.25 am Sports Results. 12.30 News at Bedtime.

YORKSHIRE

9.25 am Regional Weather Forecast followed by Casper the Friendly Ghost. [illegible] 11.00 Miss Universe.

BBC RADIO 1

(S) Stereo broadcast

[illegible]

BBC RADIO 2

[illegible]

BBC RADIO 3

[illegible]

BBC RADIO 4

[illegible]

BBC RADIO LONDON

[illegible]

CAPITAL RADIO

[illegible]

CHESS SOLUTION

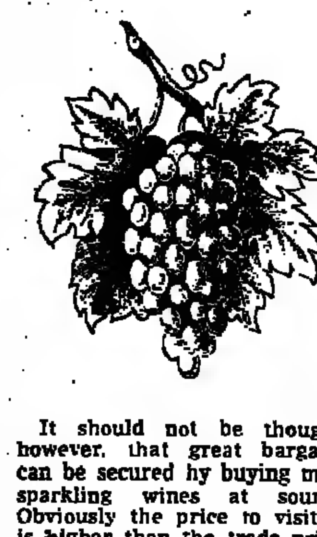
Solution to Problem 524

1 R-Q3, K-K4; 2 K-B7, P-K3; 3 K-N6, K-K5; 4 K-B6 mate—the well-known "Indian theme" in disguised form.

WINE

Seeing how the vine grows

BY EDMUND PENNING-ROWSELL



JUST NOW, many of those planning Continental holidays by car may well be getting out their Michelin Guides and motoring maps with a view to a little vineyard and wine-cellar visiting en route, and the aim of tasting and putting a case or two in the boot on the return trip. For such a purpose there are essentially two types of wine visit. The first is recognisable by a Vente Directe sign, probably affixed to the wall of a village house. In France these signs are multiplying every year, even in some of the most distinguished districts. It is said that about 50 per cent of all Meursault is sold in this way, and about one-third of Gevrey-Chambertin. These are the most familiar white and red burgundy names. Even in the aristocratic Haut-Médoc there are opportunities to buy at the "cellar-door." For example, at La Prieuré-Lichine, the classified fourth-growth Cantenac, and at some of the cru bourgeois properties. Across the rivers the large St-Emilion co-operative has a considerable trade of this kind, although it falls more into the second category of visitor-organised concerns.

These are companies, usually fairly large, who go in for this sort of business in a relatively big way, both as a form of publicity and as a significant part of their sales revenue. One well-known Champagne house that organises cellar tours in the closed winter months sends representatives to tourist companies abroad to encourage them to include its cellars in their itineraries; as a result they sell many thousands of bottles each year to their visitors. Champagne is, in fact, the best tour-organised of all wine areas, and indeed perhaps the most interesting owing to the complexity of champagne making.

There is scarcely a firm that does not show visitors round their wonderful chalk cellars, some of great antiquity, and offer a glass of their champagne at the end of the visit; although the most distinguished houses such as Bollinger, Krug, Pol Roger and Roederer ask for an introduction from their UK agents or from a wine merchant who lists their brands. The other leading sparkling wine producers in Italy in the Asti district, and in the Penedès area of Spain are similarly organised to show visitors round their properties. This is also true of the sparkling wine firms of Saumur on the Loire.

It should not be thought, however, that great bargains can be secured by buying most sparkling wines at source. Obviously the price to visitors is higher than the trade price, and in France the VAT is 17.6 per cent on top.

It must also be realised that in the table wine-producing regions the firms that specialise in selling to visitors are not always the makers, directly or indirectly through the growers they buy from, of the best wines. For they are likely to be dealing in inexpensive wines on a fairly large scale. If, in Burgundy you want some of the top wines, then there is the attractive shop, Perret, in Beaune on a corner of the Place Carnot. But you may be surprised by the prices.

One usually has a good deal in a co-operative that takes an interest in *vente directe*, while bearing in mind that because a co-operative has to take the grapes or wine of a large assortment of members, its wines are unlikely to be in the top class. But does this matter all that much on holiday?

In recent years Italy has considerably developed its series of *enoteche* where one may taste and buy the wines of the region. The most comprehensive is in Siena, in the cellars of an old Medici castle, where the wines from every part of Italy are available. Piedmont has a number of *enoteche*, and in the heart of the Chianti Classico district, there is an *enoteca* in the market square of Greve. The Italian Trade Centre, 37 Sackville St W.1. should be able to help with addresses.

For the more serious vineyard/cellar visitors, who probably want to see the source of wines they regularly drink at home, an introduction from their wine merchant is almost essential, and certainly desirable. The wine industry, growers, merchants and their agents alike, is a very generous one. So much so that it is sometimes easy to forget that their existence depends on selling their wine. Particularly in the higher reaches of the wine world, for those visitors who display a proper interest in and reasonable knowledge of their wines, little encouragement is often needed to uncork bottles.

It is as well, nevertheless, not to give the impression that one is there just for the drink. Some years ago, I was being taken round a succession of St-Emilion estates by a leading Bordeaux merchant, in company with a Swiss lawyer on holiday in a nearby resort. Given an introduction to the firm by his merchant back home, in between two châteaux he turned to me and said, "but of course I really prefer burgundy." Then, more recently in a Sancerre cellar whose owner had almost run out of his previous vintage wine, a Belgian family who had entered without an invitation were distinctly annoyed because he refused to open a bottle, although they stated that they had no intention of buying.

It must be realised that if one is in a real underground cellar, the wine there, particularly the red, may not taste at its best. To be accustomed to assessing wine, particularly young wine, at cellar temperature is one of the attributes of the professional. In any case the wine should be clear in colour and even if the aroma is closed up, it should be fruity; and the flavour too. Not least if one is en route one should not hesitate to spit out young wines and old ones too if one is presented with a succession.

Wine does not mind the cold, but can be badly affected by the heat, perhaps turning vinegary. So if one's holiday is in the warm south, it is better to buy any wine on the return journey, when it will not lie long in the car. It is worth remembering that if one does not take up one's duty-free ration of spirits or fortified wines, each adult can bring in seven litres of table wine free of duty: 10 bottles holding 70 centilitres apiece and 9½ for 75 centilitre ones. But if you declare them fairly the Customs officer is unlikely to charge you for the extra half bottle.

Finally, those who would like to do a little wine visiting on their holiday but do not quite know how to go about it and whom to visit, Anthony Hogg's Guide to Visiting Vineyards, now in a revised edition (£5.50) is strongly recommended.

COLLECTING

Pencil and water

BY JUNE FIELD

THE QUESTION of whether watercolours should be hung on a wall so that all could enjoy them, or put away in a cabinet where no daylight could damage them, was hotly debated in the 1880s.

While agreeing that the latter method was probably the best, 19th-century art expert J. C. Robinson had to admit that this was a great inconvenience, in that "these treasures are invisible and remain practically unknown to the mass of mankind."

In a letter to *The Times* in April 1886 John Ruskin insisted that properly taken care of—as a well-educated man takes care of his books and furniture—a water colour drawing "is safe for centuries, demanding "is it for your heir that you buy your horses or lay out your garden?" (Ruskin's own activities as a collector were mainly centred on the watercolours of Turner, of which he possessed some 300 at one time or another.)

That the market in watercolours is thriving is shown by Phillips' current promotion "Do You Collect English Watercolours?" Andrew Clayton-Payne reports that their drawings and watercolours department sell over 10,000 pictures a year. To be informed of when a particular artist's work is due to appear in one of their auctions, write to him at Phillips, 7 Blenheim Street, London, W1.

Watercolour dealer and collector Dr Chris Beetles, who has moved his gallery to 5, Ryder Street, SW1, reminds that acquisition and enjoyment rather than profit-taking should always be the collector's main drive.

He is currently specialising in Walter Tyndale (1855-1943), born in Bruges who came to England in 1871 but travelled a great deal in Cairo and Egypt, whose eastern watercolours were exhibited last month at the Mathaf Gallery. These command high prices, but smaller works of Wessex and Surrey, where he used to live, are in a more modest bracket. Beetles has several pretty country cottage scenes at the new gallery.

The Cathedral, Cobh, Port of Cork, in Dennis Flanders' Britannia (Oriel Press £14.95), book of watercolours and drawings complemented by an exhibition at The Fine Art Society in London and Edinburgh.

Dr Beetles was an early devotee of Albert Goodwin (1845-1932), whose work he featured in an exhibition "100 Fine Victorian Watercolours" at the Alpine Gallery in 1978. This was in association with the late Dr Rory Vassall-Adams, which would seem to make the point that watercolours appeal to the medical profession.

Rory Vassall-Adams' slender book *The Victorian Watercolour* (Castletown Publications 1981), describes how he bought his first Victorian watercolour for £5 in 1960. It was a country scene by Henry Sylvester Stannard (1870-1951), who used a split-brush technique for foliage. Useful as an introduction for a collector, the book is £8.95 plus £1 postage at Chris Beetles gallery. An essential reference is H. L. Mallalieu's *The Dictionary of British Watercolour Artists up to 1920*, from the Antique Collector's Club, Clopton, Woodbridge, Suffolk.

Still the most delightful work in which to research the origin of watercolours and the materials used is Michael Clarke's *The Tempting Prospect: A Social History of English Watercolours, 1981* (Colonnade/British Museum). The title derives from 17th-century diarist and amateur painter John Evelyn, who wrote "The prospect was tempting, that I could not forbeare to design it with my Crayon."

An elegant contemporary record of the scenery and architecture of the British Isles is in *Dennis Flanders' Britannia*, just published by Oriel Press. The book is named for William Camden (1551-1623), antiquarian and historian, headmaster of Westminster School, who published the first edition of *Britannia*, a survey of the British Isles, in 1586.

Flanders' magical book complements an exhibition of some of his work which finishes today, 10-1, at The Fine Art Society in London before going on to their gallery at 12, Great King Street, Edinburgh, from Wednesday until August 4. The book is £14.95 plus £2 postage from The Fine Art Society, 148, New Bond Street, W1, and the pictures range in price from £180 to £450 or so.

Dennis Flanders, born 1915, and a special artist to The Illustrated London News 1954-1964, does all his pictures and sketching on the spot, where "all sorts of delightful effects occur, as shadows move, atmosphere changes, people group themselves. . ." Only Skies and reflections in the water are done away from the scene "in a quiet room where one can lay on big washes in calm and undisturbed comfort."

Mock sweetnesses on the air

A FORTNIGHT ago I was writing about the honeysuckles that were then filling the air with their perfume. Since then the two most dominant scents in the garden have been elderberry and mock orange, the former heavy and displeasing to some though I like it out of doors, the best of the mock oranges sharp and lemony though not all alike and, some criticised for sickly sweetness.

Four centuries ago the Elizabethan botanist Gerrard was complaining that, though the mock orange had a pleasant sweet smell he nevertheless found it "troubling and molesting the head in a very strange manner." He was referring to *Philadelphus coronarius* a species from south-eastern Europe which was the first to be introduced to Britain. It is not my favourite mock orange for scent but I do not find it unpleasant and I grow it both in its green leaved and yellow leaved forms, the latter, in my view, one of the two brightest golden deciduous shrubs in spring and early summer, the other being the golden leaved form of the common elderberry. Neither of these yellow varieties flowers well but this does not matter as it is for their foliage that they are planted.

However it is not the common mock orange that has made the garden such a pleasantly scented place these past few weeks but the hybrids which were raised by that remarkable French nurseryman Victor Lemoine around the turn of the century. They have never been surpassed by anything that has come later: indeed I think breeders must have been led by Lemoine's success into believing that nothing more was possible. I certainly do not ever expect to see anything better than Belle Etoille, Beauclerk or Virginal which are my favourites nor to smell anything more refreshing than Erectus which is not as showy as these three but produces clouds of small single white flowers which are strongly lemon scented.

The Lemoine hybrids differ in habit, size and colour of flower and number of petals. Belle Etoille is relatively short, usually no more than four or five feet though I have seen very old plants that were much taller. The stems arch almost to the ground, the blooms are large, single, white with a mallow-purple splash in the centre and very sweetly scented. One bush in my garden fully exposed to the sun has been a sheet of white for weeks. Another, in a shadier place, does not flower so freely but I would not say it was any less beautiful for that for without so much bloom one is more conscious of its graceful habit. Erectus has very slender stems but they do grow upwards as its name implies. Beauclerk is tall and spreading with very large flowers which open flat whereas Virginal is double and makes a tremendous display. Norma is much like it in growth but the flowers are all single. Sybille is like Belle Etoille but the purple flush is even more conspicuous and the bush is even shorter which fits it well for modern gardens.

At the other extreme is a robust and moderately scented American species which has sometimes been grown as *Philodelphus grandiflorus*, a name which belongs to another scentless mock orange. Botanists do not seem to have entirely made up their minds what this one should be called, some opting for P. pubescens, other for P. intectus, yet others saying that both these names are correct but apply to slightly different species. In my garden it is a full 15 ft high and as I drive about I see even bigger bushes, for it is really quite a common plant though nurserymen seem to have droped it in favour of the more manageable Lemoine hybrids. But if you have room for a monster mock orange there should be little difficulty in finding a few cuttings, and at this time of year they are the easiest of things to root.

That, of course, is true of all the mock oranges and it is also true that all can be pruned as soon as the flowers fade by the simple process of cutting out the stems with faded flowers. If cut flowers are required for the house, some of the pruning can be done a few weeks earlier without the slightest detriment to the bushes. Short side growths make the best cuttings and they root quickly in moist peat and sand or perlite in a propagator or a flower pot

CHESS

LEONARD BARDEN

A generation ago it was normal in any international chess tournament to see the Russians at the top, the East Europeans at a discreet distance, and British competitors struggling in the bottom half of the table.

A strong event at Plovdiv, Bulgaria, last month, showed how this pattern has changed as young British players continue their rise up the world league.

Jim Plaskett, 24, and Nigel Short, 19, were at Plovdiv in search of a final qualifying norm which both require for the grandmaster title. They did not reach the GM score of 10½ out of 14, but they reversed the trends of the 1940s and 1950s by finishing first and second. Plaskett scored 9, Short as joint runner-up with Inkiov (Bulgaria) totalled 8½. The two USSR representatives both failed badly. Taimanov finished ninth with 6½ and Lukin tenth with 6.

The sustained British advance is confirmed both by the good performance of our three grandmasters in the London Docklands match USSR v World and by the latest July 1984 FIDE international rankings. We now have 22 men with ratings of 2400 or higher, equivalent to a British grade of 225 and the level of a strong international master. This is a distinct advance from only 17 players at 2400 in January 1984.

Plaskett and Short met for their individual game at Plovdiv early in the tournament, in the second round. Breaking with the custom that fellow nationals in such circumstances play out a quiet draw, they had a lively tactical struggle which ultimately decided first prize. Comments below are based on the winner's.

White: H. J. Plaskett. Black: N. D. Short. Queen's Indian Defence (Plovdiv 1984).

1 N-KB3, N-KB3; 2 P-Q4, P-K3; 3 P-B4, P-QN3; 4 P-QR3, B-N2; 5 N-B3, P-Q4; 6 PxP, NxP; 7 Q-B2, P-QB4; 8 PxP.

Plaskett's variant on the well-known P-QR3 system pioneered by Kasparov. Instead of playing for a Q4/K4 broad pawn centre, he aims at fast development.

8 . . . BxP; 9 B-N5, P-B3.

If 9 . . . B-K2; 10 NxN, PxN; 11 BxB, QxB; 12 P-K3 is slightly better for White (Plaskett—Zak, Lewisham 1983).

10 B-Q2, N-Q2; 11 P-K4, NxN; 12 BxN, Q-B1.

To discourage queen's side castling, but White ambitiously holds to his plan.

13 O-O-O, O-O; 14 P-QN4, B-K2; 15 Q-N3, R-B2; 16 B-QB4, N-B1; 17 N-Q4, BxNP!

A shock for White, who had only analysed 17 . . . BxKP; 18 NxP, P-QN4; 19 BxNP, NxN; 20 B-B4 followed by KR-K1 with advantage.

Short's counter invites 18 BxB, R-QB2; luckily for White he has a sequence to stay a pawn up.

18 PxB, R-B2; 19 NxP, RxB; 20 N-B5, P-QN4; 21 R-Q4, K-R1; 22 RxR, PxR; 23 QxP, P-QR4; 24 R-Q1, PxP; 25 QxP, B-B3; 26 R-Q6, N-Q2; 27 N-K6?!

With both players short of time before the move 40 control, White starts to take risks. Black could refute the knight move by BxP! with at least equality, for if 28 RxN? R-R8 ch wins.

27 . . . R-R5? 28 Q-N3, RxP; 29 K-Q2, P-R3.

Avoiding the back rank trap Q-R3? 30 Q-N8 ch!

30 P-B3, R-QR5; 31 NxP! KxN; 32 Q-K6, Q-Q1!

Under pressure, Short defends well under pressure. If instead B-N4? 33 BxP ch wins, while now he plans to meet 33 RxB by N-K4 ch! with equality.

33 K-B2?

Typical clock pressure, bright ideas alternating with unforced errors. Best is 33 K-K1! B-N4; 34 BxP ch, QxB; 35 RxN ch, BxR; 36 QxB ch, K-B1; 37 QxR, Q-K4 ch; 38 K-B2 and White should win the end game.

33 . . . B-N4; 34 BxP ch, QxB; 35 RxN ch, K-N3?

The final mistake. 35 . . . BxR; 36 QxB ch, K-B1; 37 QxR, Q-N3 ch! and QxP gives better drawing chances than the last note.

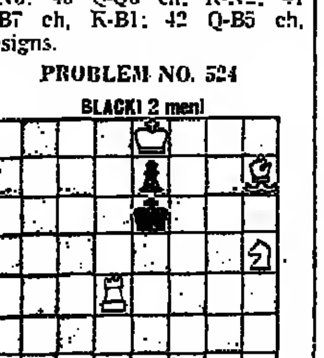
36 Q-N8 ch K-B4; 37 R-KB7, K-K4.

If 37...R-R7 ch White escapes the checks by 38 K-N3, R-N7 ch; 39 K-R3, R-R7 ch; 40 K-N4! R-N7 ch; 41 K-R5, R-R7 ch; 42 KxB followed by a return to QR3.

38 RxQ, KxR; 39 Q-B8 ch, K-N3; 40 Q-Q6 ch, K-N2; 41 Q-B7 ch, K-B1; 42 Q-B5 ch, Resigns.

PROBLEM NO. 524

BLACK (2 men)



WHITE (4 men)

White mates in four moves, against any defence (by H. Stevens). As usual the black pawn is travelling down the board and is still on its starting square. Some solvers flinch at a four-mover, but here you only have to find a single line of play.

Solution Page 14

SPORT

Ben Wright previews the Open

Tom Watson for champion

THE MOST international Open Championship of all will be played at St Andrews next week for the 23rd time. It is brimming over with exciting possibilities, many of which concern the defending champion Tom Watson, with whom I flew to London from Chicago last Sunday after his brilliant third victory in the prestigious Western Open.

Cruelly labelled in some quarters as a "choker," Watson recalled how he had finally won his first tournament, the Western Open of 1974, on his first wedding anniversary, having less than a month previously slumped from the lead to a 79 in his final round of the U.S. Open at Winged Foot won by Hale Irwin—and Sunday was again his anniversary!

More importantly, Watson told me that he had never putted better in his career than he did last Sunday when he played head-to-head against Australia's Greg Norman, and prevailed at the 18th hole, the third of a sudden-death play-off after Norman had come home in 32 strokes, four under par, to his own 35. I have never seen Watson scramble out of trouble so miraculously as he did in front of our CBS cameras that afternoon, and in the play-off there was a sense of inevitability about his final 25-foot putt for a birdie after Norman had missed by a whisker from nearly twice that distance.

If Watson wins at St Andrews for the first time—and I am confident that he will—he will equal Harry Vardon's record of six Open victories, achieved between 1896 and 1914, and surpass Australian Peter Thomson (five victories between 1954 and 1965), James Braid (five between 1901 and 1910), and J. H. Taylor (five between 1894 and 1913). If Watson does succeed, he will have won six out of the last ten championships—phenomenal domination of his rivals and the event.

The Old Course's myriad humps, hollows, hidden hazards and double greens will be dry, fast-running and perplexing to all but the most patient scrambler — taylor-made for Watson's temperament and peerless short game. Additionally, the game's most historic monument favours those players who move the ball from right to left, the shot Watson favours.

So who can beat him? U.S. Open Champion Fuzzy Zoeller also moves the ball from right to left, and will came to St Andrews well rested. After honouring his commitment to play in the merciless heat and humidity of the Atlanta Classic three days after his ruthless, record play-off victory at Winged Foot over Norman, Zoeller has taken a month off to go fishing. If the delightful Fuzzy putts as well as he did in New York anything is possible.

Far from being shaken by that crushing defeat, Norman has gone from strength to strength, and will rival Watson as a short-priced favourite. Since winning his first American tournament, the Kemper Open, in a canter by five shots on June 3, Norman has lost the U.S. and Western Open play-offs, finished tenth in Atlanta, and won the Canadian Open in a head-to-head duel against Jack Nicklaus. In that amazing period of just five weeks, he has won almost $249,000.

But while on the subject of money, Watson's earnings this year leapt to $426,959 in Chicago for the season against his all-time record, created in 1980, of $530,808. Watson is also the first player since he, amongst others, accomplished the feat in 1982 of winning three American events in a single season.

What of Nicklaus, whose finest of three Open victories was achieved at St Andrews in 1978? He is striking the ball as well as, if not better than ever, and in recent events has putted far more effectively than for some years, if only through the keen eyes of his eldest son, Jack Junior. When young Jack has carried for his father this year and read the line of the putts, his illustrious father has again become a potent force, as his own once hawk-like eyesight inevitably deteriorates at the age of 44.

I do not like the chances of the Spaniard Seve Ballesteros, champion in 1979, or 1984 U.S. Masters winner Ben Crenshaw. Ballesteros returned from Winged Foot to his home in Northern Spain physically drained and mentally exhausted after a first serious American campaign that was, by his own exalted standards, a failure, (although to put things in perspective he did win $107,660). Seve is now reported to have a blood disorder, and the rumour prevalent in America is that he will in future mount only occasional sorties to that continent, as he did so successfully in the recent past. But his friends and admirers on the American tour—and there are many more than he himself darkly imagines—despaired of Seve's almost ridiculous lack of confidence in his once magical putting touch.

Crenshaw, who was one of four runners-up to Nicklaus at St Andrews in 1978 (Tom Kite, Ray Floyd and New Zealander Simon Owen were the others), has such a respect for history and tradition that he would like to win this title at "Headquarters" rather than any other. But to be brutally frank, as a friend and fervent admirer of the immensely popular Texan, I know "Gentle Ben" has been deeply shaken by the cruel and painful legal process of his divorce, and appears incapable at present of bringing the required 100 per cent concentration to bear on the golf course.

Lastly and most importantly—can a Briton win? It is my belief that only Nick Faldo has a slim chance, and then only because he has proved himself in America. The pressure on the remainder is likely to prove as stifling as it was to Faldo last year before his first momentuos American victory. My choice as a dark horse?—Australian David Graham.

BRIDGE

E. P. C. COTTER

SAFETY PLAY is the hallmark of the expert player, and without a full understanding of this technique no student of the game can hope to reach the top. In his book, *Test Your Safety Play* (Gollancz £2.95), Hugh Kelsey gives us many instructive example hands.

This is worthy of deep study:

N
♠ 7 4
♥ A 8 6
♦ K J 7 5 4 2
♣ Q 3

W
♠ J 10 9 8 5 3
♥ Q 10 7
♦ —
♣ A 7 6 5

E
♠ Q 6 2
♥ J 9 4 3
♦ A 10 9 6
♣ 8 2

S
♠ A K
♥ K 5 2
♦ Q 8 3
♣ K J 10 9 4

West deals at a love score and bids two spades, a weak two-bid announcing 6-10 points. After two passes South reopens with two no trumps, and North raises to three.

West's Knave of spades is covered by East's Queen the King wins, and South takes stock of the position. If diamonds break no worse than 3—1, there is no problem, but the good player assumes a 4—0 break, and sees if there is any method of overcoming this cruel division. If he leads a diamond towards dummy and finds West void, East will win at once and return a spade to defeat the contract, and to play on clubs will not provide more than eight tricks.

An expert declarer sees the safety play. At trick two he crosses to the Ace of hearts, and return the diamond two. East cannot play his Ace, for that will set up five tricks in the suit for declarer, so he ducks. When West shows out, the declarer, with one diamond trick in the bag, switches to clubs, and establishes four tricks for his contract.

This method also works if West holds the diamonds. West must take the diamond Queen, and lead another spade, but South wins and fulfils his contract by taking two finesses against the ten, nine of diamonds.

The second hand is more difficult, and requires careful planning:

N
♠ Q 10 9 7 6 4
♥ —
♦ A K 7 5 4 2
♣ 5

W
♠ 3
♥ K 8 7 4
♦ J 10 9 8 3
♣ K 8 3

E
♠ 8 5 2
♥ A Q 9 5 3
♦ —
♣ Q J 9 6 2

S
♠ A K J
♥ J 10 6 2
♦ Q 6
♣ A 10 7 4

At game all South deals and bids one no trump, North replies with two hearts—a transfer to spades—East doubles, and South obediently rebids two spades. West competes with four hearts, North suggests higher things with a bid of five diamonds, and South jumps to six spades. West's opening lead is the four of hearts, which you ruff on the table, and both defenders follow when you lead a spade to your King. Do you see any snags?

A 5-0 diamond break, combined with a 3-1 trump break, might cause problems. If East has the five diamonds, your contract is doomed, so you dismiss that possibility. But if West has five diamonds and only one spade, you can protect your slam by playing your Knave of spades and overtaking with dummy's Queen. Then you return a low diamond.

If East ruffs, he is ruffing a loser; if he discards you win with the Queen, and allow West to win the next round of diamonds. Now one ruff will be enough to establish the suit. You win the club return, ruff a club in dummy, ruff a diamond with your Ace of trumps, cross to dummy with a heart ruff, draw East's last trump, and dummy's hand is good.

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Decoupling in action

OF THE MANY dramas in the world's financial markets during the last few weeks, the most interesting may have been the one that didn't happen. While the dollar soared along with U.S. interest rates, prompting the City, the Bank of England and the Treasury into contradictory statements and unconvincing expressions of confidence, the monetary authorities of Japan and Continental Europe remained mysteriously inactive.

The German Bundesbank has allowed the squalls from America to blow the D-Mark into uncharted waters beyond DM 2.84 to the dollar without even a hint of panic and with no more than a nudge on the interest rate tiller. In Tokyo, the 5 per cent fall in the yen since's May's U.S.-Japanese agreement on opening up yen capital markets, has elicited no response — except perhaps a snigger of "I told you so." Japanese economists had warned all along that further financial deregulation would serve only to push the dollar to even more unreasonable heights.

Defiance

But the most fascinating non-event of the last few weeks has occurred in France. The country regarded until recently as the weakest link in the international monetary system has shrugged off the rise in dollar interest rates, and even allowed its own rates to drift gently downwards, in defiance of the trends in America.

There are two lessons to be drawn from this divergence between the rise in the U.S. and British interest rates and the steady or even falling trend in the rest of the world.

It appears, firstly, that the much-discussed "decoupling" between the European and American interest rates is now well under way. One can think of several reasons why the German, French and other European governments might have lost patience with their efforts to prevent the dollar from soaring out of sight. The inflationary impact of the high dollar has not been nearly as bad as some politicians and economists in Europe feared a year or two ago. The adverse effects of high interest rates on the domestic European economies, on the other hand, may have proved somewhat worse than expected, particularly on the dismal outlook for unemployment. Most importantly, European policymakers may finally have become convinced that the will to bring the dollar back to earth and to correct the U.S. budgetary imbalance simply does not exist on the other side of the Atlantic—in which case, further sacrifices by Europe in the name of international monetary stability would probably prove in vain.

If this decoupling is confirmed by the actions of the European authorities in the coming months, then the dollar might at first be expected to rise even more rapidly than in the past against the Continental currencies. However, the past few weeks of turbulence in the international money markets suggest a second lesson which could well mitigate this effect.

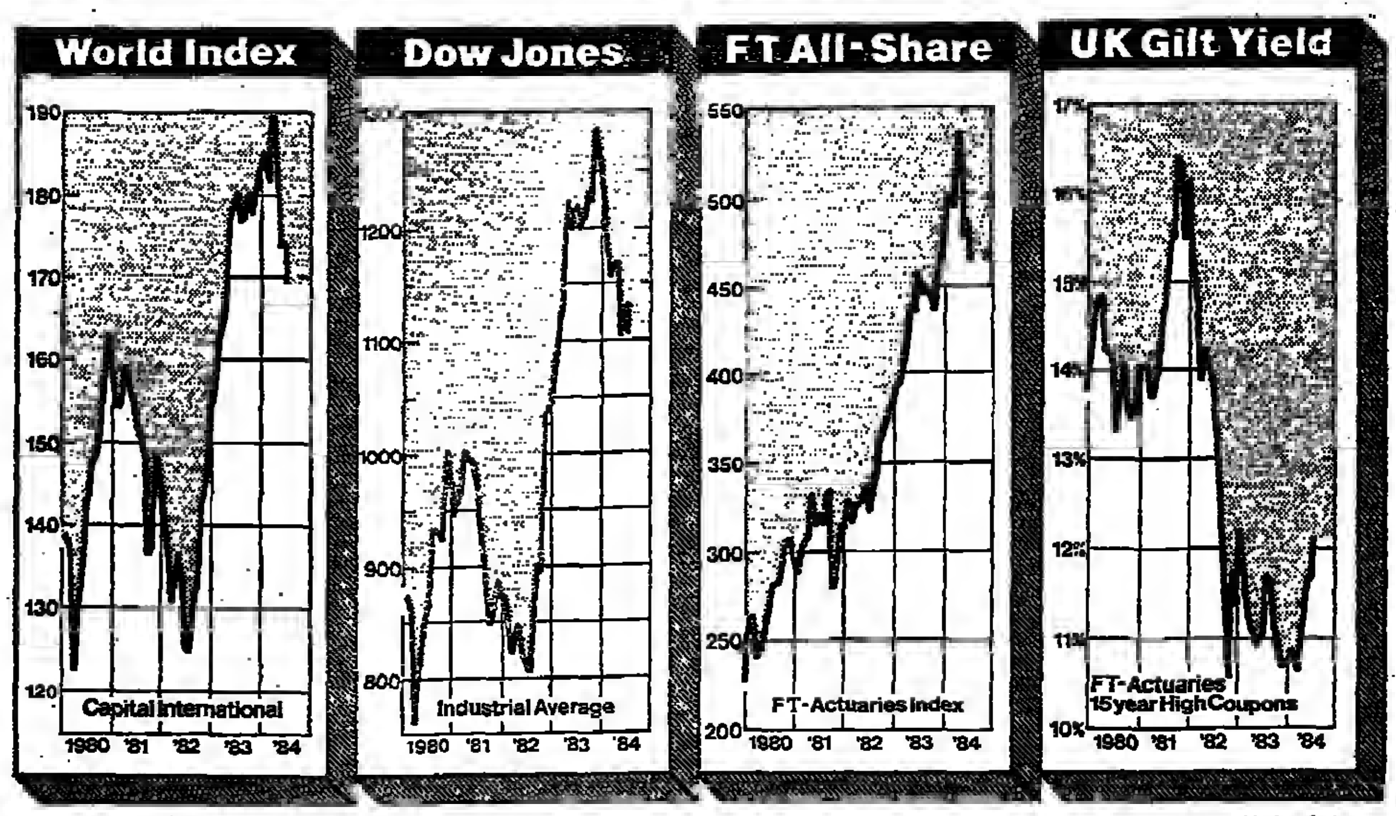
It has frequently been observed, as a symbol of the world's distrust of Reaganomics, that American bond yields have been higher, since the middle of last year, than bond yields in Britain. This week, an even more remarkable milestone was passed in the rake's progress of the dollar. Interest rates on dollar Eurobonds have now risen above the yields on comparable French franc bonds.

But financial confidence, which in the context of bond yields usually means inflationary expectations, is not the only determinant of long-term interest rates. Most investors probably expect inflation to be higher in France than in the U.S. over the next 10 years. They are, nonetheless, willing to buy French bonds at lower yields than American ones, presumably because they expect the franc to appreciate in the long term against the dollar. With sentiment about the long-term trend in the dollar so decisively bearish, sooner or later the short-term pressures on the dollar will turn in the same direction.

Relaxed view

Of course, the question of whether the dollar falls sooner or whether it falls later is not unimportant; it could determine how rapidly and disruptively it returns to a sustainable level. But European central banks are probably right if they have concluded that there is little they can do through the conventional measures of intervention and monetary policy to influence this timing, particularly if they are given no support from Washington.

This brings us back to Mrs Thatcher. If Britain's interest rates are to be decoupled from American ones, the Government will have to take a relaxed view about the sterling-dollar exchange rate; this it appears to be doing. But if Government policy is to focus on the trade-weighted exchange rate instead, the Bank of England could well use some help from its counterparts in the European Monetary System if it is to fight off the sort of speculative flurries which are bound to result from miners' strikes, dock strikes, open meeting or other transitory causes.



Marion Sadger

The fall in UK share prices

A nervous London market licks its wounds

By Barry Riley, Financial Editor

ONLY just over two months ago, the stock market bulls were still on the rampage in London. On May 3 the three main equity market indices—the FT 30-Share, the FT-Actuaries All-Share and the FTSE 100 Share — all hit remarkable peaks. At that stage the All-Share, for instance, was showing a gain of 14 per cent for the year so far.

How different it all looks now. In the face of the latest sterling crisis, and the associated dramatic interest rate movements which have seen bank base rates jump by 2½ points so far this month, the equity market has embarked on a new phase of the shakeout which began in May and early June.

At one stage on Thursday afternoon, the FT 30-Share Index was tumbling close to the 750 mark. There has been a rally since, but this index is still showing a decline of around a sixth from its peak. The index has fallen by 48.6 points this week.

So far these body-blows have been largely absorbed by some well-filled money belts. The setback has amounted to nothing more than a negation of the profits already notched earlier in the year. It was not until this week that the new FTSE 100 Index fell back below the 1,000 level at which it was fixed on the final trading day of 1983.

Some of the stockbroking firms, it is true, are beginning to complain about the much smaller volume of trading. Recently equity turnover in London has been running at around £200m a day, a far cry from the £350m or so which it was often attaining in the spring.

But many investors large and small have been well cushioned by fat profits made in the past year or two. Some of the institutional fund managers are inclined to murmur about the need for higher levels of liquidity—with cash again becoming an attractive, high-earning commodity at a time of declining securities prices. There is, however, a noticeable absence of panic.

A few figures will show why. In 1983 the average UK pension fund earned a total rate of return (income plus capital gains) of some 23 per cent on its typical mixture of UK and foreign equities, plus gilt-edged and property. This followed 30 per cent in 1982. These were

So far, the body-blows have been absorbed by the money-belts

fabulous returns against the background of inflation running at 5 per cent or so, and left many pension schemes in an extremely healthy financial state.

Have the good times left everybody complacent? It is certainly a long time since there was a really solid equity market setback in the UK—arguably not since 1974, although there was a short, sharp dive in 1976. In the City—where fund managers, like policemen, look remarkably young—there is a consciousness that not too many of the professionals have ever had a proper bear market blooding. They have learned their trade in the comfortable circumstances of a seven-year uptrend.

The fundamental analysts—who look at the underlying values such as earnings and dividends—tend to be fairly happy about how the market will develop from here. They were a bit nervous about the high values in the spring—but now equities are again yielding over 5 per cent, and profits growth looks like being in the 15 to 20 per cent range for 1984.

"I still don't see any major collapse," says Bob Cowell, head of research at Hoare Govett. "The fundamentals of the corporate sector are pretty good."

But a rather more bearish picture is being painted by the technical analysts—the generally more colourful characters who peer at chart patterns and support levels.

David Fuller of Chart Analysis is now a confirmed bear, forecasting that equities will fall by something like a third from their recent peaks (in fact only an average sort of bear market by historical standards). Richard Lake of Barbael Zorn is projecting a provisional floor of 725 for the FT 30-Share Index, arguing that, with leaders like British Petroleum breaking down through their long-term upward lines, there is not much hope for the market as a whole.

Are we really moving into something that could properly be called a bear market—or is it just a temporary correction of the kind which led to a 9 per cent decline in the All-Share Index between August and October last year?

To make progress towards an answer it is worth looking, first, at the reasons behind the last surge in the bull market uptrend, which took the All-Share from a temporary low of 426.94 last October to its May all-time peak of 536.71.

This improvement took place against the background of rising profit expectations—company pre-tax profits turned out to have risen by as much as 25 per cent in 1983—and a bumper year dividends paid by the All-Share Index constituent companies have risen by nearly 14 per cent, making a quite exceptional growth of some 8 per cent in real terms.

Moreover, short-term interest rates were edging down (it is easy to forget now, but the clearing banks cut their base rates just after the March Budget) and Nigel Lawson, the Chancellor, won high praise for reducing company taxes.

Technical analysts are tending to paint a rather more bearish picture

Since then, however, the stock market's confidence has been sapped by a series of problems. Some of them, notably the further jump in dollar interest rates and the weakness of the oil price, with its adverse consequences for the sterling exchange rate, have been purely external.

But there has also been concern over the Government's own performance. Early hopes of a convincing victory over the miners have been replaced by the expectation that the strike will eventually be settled by a far less glorious fudge. There has been no further progress in crucial economic indicators like inflation and unemployment.

And most important, monetary policy is in something of a tangle. Measures which looked quite smart in the March Budget, such as the plan to rake in some £1.2bn later in the year through a change in the collection of VAT on imports, now seem to form part of a risky strategy.

With so much revenue bunched into the second half—including the first instalment from the British Telecom flotation—the public sector borrowing requirement and the money supply have ballooned in the early part of the financial year.

Which brings us to this week's sterling crisis, with Building Society mortgage rates shooting up to the highest level for two years, and yields on some gilt-edged stocks now approaching 13 per cent.

It is possible to argue, as Mr Lawson did in Parliament this week, that these are just short-term fluctuations which will soon be ironed out. But there have been longer-term signs of strain in the gilt-edged market, which has been moving sideways, at best, for two years now.

And it would be quite wrong to assess stock market trends only from a domestic point of view. Portfolio investment is increasingly a global affair, and the major world economies are closely interdependent. Significantly, Capital International's World Index (covering 1,100 companies in 19 countries) hit its high on the same day, May 3, as the UK equity indices—and the UK market carries only a 7 per cent weighting in the World Index.

Whatever the ups and downs of UK domestic politics, the realities of the international financial crisis must remain a key influence. The facts are that dollar interest rates — both short and long — are extraordinarily high, and still climbing, and that the world banking system has yet to face fully up to some uncomfortable realities.

The latest figures indicating surprisingly rapid expansion of the U.S. economy in the second quarter of the year have tightened the screw on the financial markets. Few bad thought that the Reagan Administration would be under significant pressure to alleviate the U.S. funding crisis before the Presidential election in November. Now there is increasing scepticism about whether the next U.S. President —whether Reagan or Mondale —will take effective voluntary action even after the election.

Therefore, the supposition is that only an agonising international financial crisis will lead to appropriate measures by the Americans and others. That crisis would be bound to drag down the leading world stock markets.

All that has been seen in the UK so far is a correction in a bull market, points out a partner in one of the top broking firms, adding that the question of a bear market remains to be resolved. "All you've done is to knock the top off. There's still time for panic," he suggests.

Many City professionals agree that the bond markets now hold the key to the future. With gilt-edged yielding well over 12 per cent, and U.S. Treasury bonds a point higher still, there is no practicable scope for equities to stage much of a rally on their own. The yield gap of over 7 points is too wide to allow equities to move off on a path of their own.

This might not be so true if inflation were expected to accelerate significantly. But although the increase in UK retail prices is likely to speed up slightly in the wake of higher import costs and the increased mortgage rate, there has been no rush to buy index-linked gilts in the way that might have been expected if the markets thought inflation would be a likely escape mechanism.

This leaves investors to wait for signs of a peaking out in long dollar bond rates—not an early prospect according to some Wall Street economists who fear a further advance to the 15 per cent area. To an unprecedented extent, U.S. economic policies are driving up real interest rates around the world—most clearly shown by the real yield of almost 4 per cent obtainable on index linked gilts in the UK.

It is a rewarding phenomenon for pensioners living off their building society deposits, but is decidedly negative in its implications for share prices.

There is some irony in that on several measures British companies are now healthier than they have been since the 1960s. Borrowings are low in relation to assets, so that they can accept higher interest rates with a degree of equanimity (many companies will actually be beneficiaries because of their net holdings of cash). And returns on capital employed have risen sharply thanks to the productivity gains achieved during the recession and the benefits of subsequent increases in the level of output.

Such corporate prosperity rules out any risk of a serious 1974-style equity market collapse — which reflected a liquidity crisis and a collapse of real profitability. Moreover, share values are by no means outlandishly high, with industrial shares selling on an average p/e ratio of around 11. Yet at the same time there is nothing to stop that figure dropping to 10 or 9.

The upturn now seems to be at a fairly mature phase

The British economic upturn now appears to be at a fairly mature phase. Future growth in company profits and dividends seems likely to be at a much slower pace than recently. Historically, these have been warning signs of a dull period for the equity market.

Two months after a classic May peak, a sizeable part of the damage may already have been done. But true fear has yet to stalk the streets of a still well-cushioned City. It may never happen, yet, the talk today among fund managers is of reducing exposure to the more volatile sectors in areas like consumer goods and construction and looking for investments which have more defensive virtues.

Quangos still at work

From Mr K Holland

Sir,—I have recently made enquiry of the Cabinet office with regard to the non-departmental public bodies — colloquially known as "Quangos" — and the reply I received may be of interest.

The present classification of these "quangos" stems from a 1980 report by Sir Leo Pliatzky. Since that report the total number of such bodies has fallen by about 500 but nevertheless there still remain some 1,576 "quangos" each with gross expenditure exceeding £1m in year 1982-83.

Staff totals shown, covering all presently functioning "quangos" amount to 220,191. Of this total three bodies only are regarded as "civil service" — these are Manpower Services Commission, Advisory, Conciliation and Arbitration Service, and the Health and Safety Executive. The staffs of these three are civil servants as such and come directly under the Treasury for all outgoings. Their staff figures are respectively MSC, 23,815; ACAS, 649 and H&SE, 3718.

Thus the present "quangos" additional to the above-mentioned three, (those with expenditures over £1m) employ 201,009 staff. It should not be forgotten that these staffs require—in addition to salaries —such items as travel and subsistence moneys, and office accommodation.

The Cabinet office assures me that the Prime Minister has taken an interest in "quangos"; obviously there exist well-understood policy and directive instructions to those responsible for the setting up, maintaining and (hopefully) eventually disbanding such quangos when their usefulness is finished.

It is my impression that the public has no idea of this tremendous "quango" activity. Nor do I think that the Press and broadcasting media understand the scope of it.

this "extramural" government activity is necessary or justified. I am also of the opinion that there is a measure of "empire-building" going on. The reported various activities of the Manpower Services Commission, for example, seem to include some that can only loosely be seen as a part of the employment/unemployment scene. MSC's expenditures do not seem to me to come within the very severe Treasury control that the main civil service departments must contend with — even though MSC is within the Department of Employment grouping! (MSC's erstwhile excessive expenditure on its "Jobshops." JobCentres is a case in point).

I have not the knowledge, ability, nor facilities to fully investigate "quangos" — appointment of heads of the various "quangos," decisions on staffing, salaries, allowances and so on; all these cry out for dissemination of facts.

K. H. Holland.
Sea Whins,
Fort Argyll Road,
Trench Point, Campbeltown,
Argyll, Scotland.

Letters to the Editor

Rover in the tax band

From Mr E. Gurney

Sir,—On October 8 1981, at the time of the introduction of the Triumph Acclaim, you kindly published my letter complaining that the Inland Revenue had rather foolishly set the lower tax band for company car benefit-in-kind taxation at 1300 cc and that the state-owned BL had just introduced a car with an engine size of 1335 cc.

Subsequent correspondence from BL suggested that the company had represented this anomaly but had received little co-operation from the Inland Revenue.

The new Rover 200 series fitted with the Honda 12-valve engine of 1342 cc has now replaced the Acclaim and is an excellent vehicle for the company car market.

The introduction of this car

change been made to raise the lowest band to 1350 cc? It has not—the band is still at 1300 cc and, of course, it thereby favours cars manufactured by the U.S.-owned groups, large numbers of which are imported, not only from EEC countries but also from Spain.

Must we always, but always, kick the ball into our own goal?

E. R. Gurney,
30, Milsom Street, Bath.

Workplace ballots

From the General Secretary, Transport and General Workers Union.

Sir,—In his letter of July 10, Mr P. McMahon (presumably writing in an individual capacity and not on behalf of his union) mixes misrepresentation with pure fantasy in his criticisms of the recent TGWU ballot to elect the general secretary.

The steps taken to notify our membership of the ballot were extensive. Quite apart from detailed letters to all branches, and the considerable media coverage, we included details of voting procedure in our union journal every month from January to May, and circulated election addresses containing statements from all the candidates.

Members do not vote by show of hands at branch meetings as Mr McMahon suggests, but by placing their vote into a sealed ballot box. The vast majority of TGWU voters record their votes at the workplace during the one month voting period. It is this accessibility which is the major reason for the high turnout. Members who are unable to vote at their workplace or branch can record their votes at

There are rigorous checks on voting all along the line. No one can vote without presenting a valid membership card, which is stamped to prevent double voting. The case referred to by Mr McMahon in Bristol was investigated by the regional scrutineers and the votes declared invalid before the regional count took place. The ballot papers are placed in a sealed box and sent to regional office where they are counted. Objections can be raised at any time during the voting period or during the count and are investigated by the regional scrutineers.

Unused ballot papers, spoilt papers and the counterfoils of used ballot papers, are returned to central office where there is a rigorous check against regional returns under the supervision of the national scrutineers. Unused papers are not "floating around the system," but are controlled, checked and counter-checked.

The outcome of the election is a result which all the candidates accepted as fair, which produced a turnout of 43 per cent of our eligible membership—far higher than the European Assembly election and higher than recent postal ballots in the Electrical Electronic Telecommunications and Plumbing Union and the Amalgamated Union of Engineering Workers and which presents a forceful argument against compulsory postal ballots.

Moss Evans.
Transport House,
Smith Square, Westminster, SW1.

Difficulties for importers

From the Finance Director,

out of date. The wording of the new bond relating to the bank guarantee for payment of VAT on imports has been agreed. What Mr Butler should have pointed out is that Customs and Excise is demanding a guarantee to cover twice the anticipated amount of VAT to be paid over. The effect of this is to double the cost of paying the clearing banks' charges for providing the guarantee. While I also hope that the requirement is dropped, the cost of the guarantee should be met by Customs and Excise.

J. P. Sorrock.
Bavarian House,
Red Marsh Industrial Estate,
Thornton-Cleveleys,
Blackpool, Lancs.

Unit trust investors

From Mr B. Ridsdale

Sir,—I was most interested to read Clive Wolman's article on unit trusts (June 30).

Recently I had a holding of three unit trusts managed by a reputable stockbroking company. As well as the misleading spread outlined in Mr Wolman's article, I was not pleased with the following.

The portfolio was always valued at a "mid" point between the bid and offer price, thus inflating its value, as a *sale was always at the bid price.*

An annual fee was charged as a percentage of the portfolio value—again at "mid" point value which could not have been realised.

When I sold the holdings, they all incurred normal stockbroking commission charges of 1.65 per cent + 15 per cent VAT, approximately 1.9 per cent in total.

While I cannot deny that the units made a worthwhile profit (largely due to my withdrawal in 1983 before the 1984 slump in share prices) the above factors were all irritating "extras" which were all one-sided charges.

There always seems to my mind something disreputable about practices which cannot

once-and-for-all charge. It would be far more honourable if unit trusts could honestly say charges would be, say, 10 per cent. No more, no less. Although, I suspect, less profitable . . . ?

B. Ridsdale,
34 Orchard Close, St Stephens, Canterbury, Kent.

Schedule E expenses

From Mr M. Quinlan.

Sir,—I refer to the lead item in Finance and the Family on July 7.

The agreement referred to has been in existence for some years, since my wife fell foul of it as long ago as 1979. "In existence" not "in force," however, is the essential aspect to remember about such agreements. An agreement between one taxpayer or one body will not bind another taxpayer so long as such agreement has been reached in negotiation with the Inland Revenue and not as the result of litigation.

The Inland Revenue is often too quick to quote to the unsuspecting taxpayer such agreements and other rulings which have no legal effect and many assume that such dicta, coming from on high, may not be questioned.

I do not disagree that the Schedule E expenses rules have been interpreted very narrowly, but if the Inland Revenue has conceded that a deduction is available to teachers taking courses at 'A' Level and above under the relevant legislation, then there is no particular technical reason why such a deduction should not be available to those taking courses at a lower level in the same circumstances.

I suggest that a better reply to the question would be to suggest that the correspondent fights on, using the argument that I have put forward. When I did this in relation to 'O' Level teaching in 1979, my claim was allowed after only two letters.

Michael Quinlan,
33, Surbiton Hill Park,

POLITICS TODAY

An awful week, but no great panic

By Malcolm Rutherford

BY ALL conventional measurements, this has been an appalling week for the Government. Interest rates have gone up twice in the last few days, the mortgage rate went up by more than two points yesterday and the dockers have joined the miners on strike. There have even been rumours of plots against the Prime Minister.

One has to think back to the winter of discontent under Mr Callaghan in 1978-79, or the miners' strike under Mr Heath in the winter of 1973-74 to find anything comparable.

Longer memories may go back to 1967 when the pound was constantly under pressure, the dockers and the railwaymen were out together, Prime Minister Wilson was dashing about all over the place trying to keep the ship afloat, and sterling was eventually devalued.

Yet to recall the past should be enough to suggest that this time it could be different. That the Government is in serious difficulties cannot be in doubt. The outcome of the miners' strike is wholly uncertain: so is that of the dockers'. It is unpleasant to have to raise interest rates, even if the reasons are largely external, at a time when you want to see sustained economic recovery. And no government likes being pilloried in the press for being generally incompetent.

There are, however, other ways of looking at what has been happening in the last few days. For a start, there has been no great panic. The economy probably is strong enough to bear a few temporary setbacks. Company liquidity and profitability are sound enough to put up with a few months of higher interest rates.

There are plenty of economists who believe that the slide of the pound is simply a welcome adjustment, especially against the dollar—it has slid much less against the D-mark. The country will not fall apart if there is a bad set of monthly trade figures, which was the nightmare of Harold Wilson.

All that is different from previous crises. The political circumstances are different as well. When the miners struck under Mr Heath, he saw it as a question of "who governs Britain?", called a unnecessary general election and lost.

Mr Callaghan, too, was in difficulties because of election timing. Had he called a general election earlier, there might have been no winter of discontent. It is most unlikely that Mrs Thatcher would have won such a large majority in 1978 as she did in 1979.

This time there is no question of an election forced or otherwise. Everybody knows that. Barring something wholly unforeseen and unforeseeable, the Conservatives will be in office for the next three or four years. They have time to become massively unpopular, yet still to recover.

There is a difference again in terms of the parliamentary opposition. In the 1960s and 1970s it was still assumed that if a Labour Government failed, the Tories could come back and vice versa. It was a two-party system where the parties alternated in power.

Moreover, a party in opposition would set out to rejuvenate itself, bring itself up-to-date and dump the old ideological baggage. Labour did that under Hugh Gaitskell, though it was left to Harold Wilson to gather the fruits. Both Gaitskell and Wilson looked like alternative prime ministers.

So did Mr Heath when he took over from Sir Alec Douglas-Home in 1965: hence the Conservatives won the election in 1970.

Today all that is no longer true. There is not one opposition, but two: Labour and the Alliance. When Mr Neil Kinnock or Mr Roy Hattersley score a point or two for Labour in the House of Commons, as they have been doing recently, they look rather like England playing the West Indies at cricket: the Government can still win by nine wickets in the fourth innings if it has to.

— Labour does not appear as a credible alternative administration: nor has it yet put together a coherent body of thought that would enable it to win the intellectual argument in the country. It can say that the Tories are in a mess, and many people would agree, but it has not been established that Labour has a better answer.

The Alliance probably does have an alternative Prime Minister in Dr David Owen, but that is quite different from being an alternative government: it still has very few troops. And the most notable fact about Dr Owen's politics is the way he seeks to capture Mrs Thatcher's ground, paying her the supreme compliment of imitation. He did it again in Matlock yesterday in a speech to which we shall return.

Yet to discuss all this in terms of party politics alone is inadequate. Not everyone votes for the same party every time, or at all, and people do have memories. They remember the relative failures of successive governments: high hopes, then dockers' strikes, miners' strikes, pressures on the pound and the balance of payments and the administration generally blown off course.

When Mrs Thatcher first came to office, she was thought to be different. She sought to redress the balance of power between management and unions. For a time she was broadly successful. Two factors, however, have now come together.

One is the perception of the Prime Minister as a determined leader, trying to break with old British habits. The other is the collective memory that British governments have nearly always backed down in labour disputes when it comes to a crisis. The record over the decades has been one of relative economic decline rather than sustained recovery.

The question is now posed: is Mrs Thatcher's Government different from its predecessors, or not? It is at its sharpest in relation to the miners' strike.

It would be wrong to assume that the Government is necessarily losing. There is a very strong case for simply sitting it out and not panicking, especially when coal stocks are high and some miners are still working. No government has dared do that before for so long.

Besides, there has always been a certain ambivalence in the present administration's attitude to the use of the law regarding the trades unions, even laws which it has itself introduced.

There have been three Secretaries of State for Employment under Mrs Thatcher: Mr James Prior, Mr Norman Tebbit and Mr Tom King. The first was "wet," the second "dry" and Mr King is in between. Yet what has characterised them in the end is that they have all adopted the "softly, softly" approach.

The law may be no longer tilted in favour of the unions, but the Government takes the view that it is up to the public at large whether the law should be used. (Mr King even had to be persuaded by the House of Lords to strengthen his current bill on the election of union officials by postal ballot, and he has still kept his amendments to the minimum.)

Yet the law has been changed and it was Mr Tebbit who introduced the most sensitive power to enable the courts to strike at the unions' funds. Anyone affected by the miners' abuse of secondary picketing could have recourse to it at any time.

One has the impression that this will not happen on any big scale, or at least not yet. The Government's position is not only that it is up to the individual to decide whether to seek redress through the courts, but also that it would need to be a pretty clear-cut case to be effective.

For example, the British Steel Corporation has considered using the law, but has refrained from doing so because, one way and another, production has been kept going. British Steel would think again if it were stopped.

It is also pointed out that the use of the law can be unpredictable. It might have effects on the behaviour of other unions.

In short, the Tory legislation on the unions is a possible remedy for individuals with grievances, like Mr Eddie Shah in his printing dispute. It is a reform because such redress did not exist before, but it is not a wand that can be waved or automatically applied.

In that context Dr Owen accused the Government in his Matlock speech of having lost its nerve about its own legislation, and there is no doubt that that is a widespread feeling. But for the moment discretion is the order of the day.

Dr Owen said something else, talking about pit closures: 'Once the NCB starts to back off using clear-cut words like uneconomic, the alarm bells sound for those who have watched successive governments retreat under pressure from industrial action.'

That is the heart of the matter. The Government is under no great political pressure from the other parties, nor from its own benches. Nor is it under any great economic pressure that cannot be withstood. Indeed it has been this Government's great good fortune that it has been in office when North Sea oil revenues have been around their peak.

No British Government for many years has been better placed to see out a major industrial dispute. I think it will, if only because failure would mean a recognition that nothing has changed. It would be the end of Mrs Thatcher, with no alternative government in sight.

Britain's Communications Revolution

Cable television: from boom to gloom

By Raymond Snoddy

THE GOVERNMENT'S dream of a Britain linked by sophisticated cable, carrying data to business and entertainment to the home, is fading fast.

Just over two years after the Information Technology Advisory Panel (Itap) announced its vision of a "wired society" there is now a real possibility that the industry could collapse before it has begun.

As the Cable and Broadcasting Bill completed its passage through the Commons this week and the first four licences were issued to operators, there were fears that not all the 11 offered franchises by the Government last November would actually make it to the starting line.

At stake is Britain's entry into the communications world of the next century and the estimated £3bn worth of business involved long-term in the cabling of half of the country.

"The most likely scenario is that most of the 11 will fail," says Mr Christopher Goodall, until recently with McKinsey, the management consultants.

● The gloom is echoed by Mr Patrick Whitten, managing director of CIT Research, who warned earlier this year that cable would be "still-born" in the UK unless the Government took immediate and drastic action.

The only major Government concession — the extension of licences from 12 to 15 years — he sees as "too little, too late."

Why should cable seem to have such problems now?

● A major factor has been the Government's decision in the last Budget to phase out capital allowances. This is crucial for an industry where almost all the investment is "up-front." Mr Goodall believes that the move will make construction costs too high to be amortised even if penetration rates reach 45 to 50 per cent of possible subscribers.

● The Government insisted on sophisticated technology, much of which has risen in cost and suffered delays.

● The whole matter has become entangled with the privatisation of British Telecom. Some operators fear that the Government will make it too difficult for them to offer voice and data services at a competitive price.

● The Government insists on total private sector-funding—in marked contrast to the French and West German Governments.

● Delay has meant that direct broadcasting by satellite, which should have been complementary to cable, may be for a few crucial years a powerful competitor.

There must now be serious doubts that Mr Kenneth Baker, the Information Technology Minister at the Department of Trade and Industry, will get the new broad-band communication network he wants.

Mr Jonathan Simnett, co-ordinator of the Information Technology Project at Manchester University, says simply: "Cable television is not going to be a new embryonic communications network, to any great extent. There are not going to be enough cable networks to do it."

Kenneth Baker, Information Technology Minister

But another, more optimistic, view of cable was on display at the Cable 84 Conference and Exhibition at Wembley this week. This view, expressed by ministers, civil servants and prospective cable operators, was that the gloom had been exaggerated, that the bottom of the trough of pessimism had now been reached and that courageous entrepreneurs of vision could still make it happen. Mr Adrian Norman, an Arthur D. Little consultant, who served on the Itap secretariat, sees that present "cold feet" stage as a predictable part of the process of getting a major new technology under way. "The entrepreneur now has to put his chips down and spin the wheel. We won't know if the problems are real until we try it," he argues.

Mr David Campbell, chief executive of Clyde Cable Vision, is about to put his chips down. The company, which has a Home Office licence to cable the area north of the Clyde in Glasgow, will issue a placing document to institutions in Edinburgh and the City of London. Clyde, which wants to start laying cable in December, has £7.3m committed and hopes to raise another £7.5m.

There are plenty of people who would like to run cable networks, and to sell equipment and programmes to them. The industry now has to win the confidence of enough institutions to pay for the heavy initial investment. Around £30m is needed to cable 100,000 homes.

However, a basic skeleton of cable programming has already been set up, comprising two film channels and channels of general entertainment, pop music, sports and children's programmes. Rediffusion has had a take-up rate of 8 to 32 per cent with four channels of extra programmes on existing cable networks. Nearly 70 per cent of those subscribing to the new services—a total of 13,000—has paid for Ten, the premium film channel.

But if there is to be a future for cable and a viable market for channels such as Ten, an enthusiastic response is needed to the second round of franchises due in the autumn. At the moment potential licensees seem cautious.

At Investors in Industry (3i) Mr Peter Davies has noticed that there is much less interest than last year. Though 3i is still prepared to consider long-term minority stakes in second round companies, so far only a handful have come forward. Mr Ivor Cohen, managing director of Mullard, the electronics company, and a member of ITAP, takes a longer view than most.

"I didn't believe the boom and I don't believe the gloom now," he says.

But Mr Cohen emphasises that it is the Government's responsibility to create the environment in which cable can operate. "Otherwise, we won't have a really effective information technology society," he adds.

Weekend Brief

San Francisco's new earthquake

The trucks began rolling in early one Saturday morning. Search and rescue vehicles, horse trailers, fire engines with bomb disposal crews, swat teams armed to the teeth, vans full of dogs and dozens of sherifs' cars *all collected on the* school playground.

Several helicopters buzzed overhead. The 2,000 residents of this suburban community on the San Francisco peninsula began to wonder what was going on? The earthquake? A nuclear threat? By mid-day the word was out—"They are practising for the Democratic Convention."

San Franciscans are not looking forward to this event that will place their city in the spotlight next week. While they welcome the attention—tourism is big business in San Francisco—the disruption will be enormous. Commuters will be forced to park their cars in outlying city neighbourhoods and take to public transport to get to work. Offices in the city centre will close or keep flexible working hours to accomodate the anticipated pandemonium. Traffic problems will be horrendous, even the San Francisco police admit. And there is the ever present threat of some sort of violence.

Security precautions have played a major part in the months of preparation for the Democratic convention. The hundreds of thousands of visitors who are expected to enter the Golden Gate this week will probably be safer than any in recent years. The streets of San Francisco have been cleaned up. It is even safe to walk "south of Market"—a traditional no-go area for tourists.

Even the cable cars are running on schedule. Out of action for 18 months during a major overhaul and rebuilding project, the famous transportation system is once more providing a hair-raising ride up and down San Francisco's hills, bells clanging and proud conductors bellowing.

The Moscone Center, named after the San Francisco mayor who was murdered by a city supervisor in 1978 is also ready for the onslaught of delegates—almost. Last minute hitches have inevitably caused some frayed nerves. There was a strike (isn't there always?) that threatened to leave the delegates seated on the floor. Then there were complaint's that minority-owned companies did not get a fair share of the $5.5m project to temporarily convert the centre into the Democrats' stage. But now the buntings are up and the television control towers are in place.

Although the Democrat candidates and delegates may believe that the convention is held for their benefit, in fact it is the media that "own" this event. The candidates have taken over city hotels (and college dormitories) but the Press have built their own accommodations from scratch.

While the stage in the Moscone Center may be the primary platform for political

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presentations, the streets outside the Moscone Center (and designated parking lots) will be the centre of attention as convention speakers ramble.

Political commentators have already declared the Democratic Convention a dull event—there is no question as to who will be nominated as presidential and vice-presidential candidates. So the activities outside the convention centre will be all the more important as the news crews search for lively reports.

The flavour of events surrounding the Democratic convention promises to be "gay" in every sense of the word. Delegates arriving in San Francisco today will be treated to the bizarre sight of huge marijuana leaves, redwood trees and several species of animals marching the streets outside their hotels.

At noon, about 25,000 pot smokers are planning to hold a "marijuana Bastille day" rally and march. At the same time in another part of the city a "creature convention" will convene to honour "all species day" with a parade of costumed supporters dressed as their favourite endangered species. Sunday will offer no rest. A labour march sponsored by the unions will commemorate the 1934 general strike. Organisers hope for a crowd of 100,000.

Later, another 100,000 are expected to participate in the national march for lesbian and gay rights. They will begin in Castro street, the "gay high street of the world." Their march will bring to the attention of any blinkered delegates the sizeable gay population of San Francisco. The gays aim to leverage their local political strength to gain national support for non-discriminatory laws.

As soon as the gay activists leave a specially designated parking lot close to the convention centre their place on centre stage will be taken by several thousand priests who plan a candle-lit procession and non-partisan prayer service. Among their petitions will be prayers for a peace—world peace and city peace. They will pray that nobody will touch fire to the tinderbox of publicity that will focus upon San Francisco this week.

Liberty encased in scaffolding

Liberty gets a facelift

IN AN inspired moment, President Ronald Reagan put Mr Lee Iacocca, the man who rescued Chrysler, in charge of the $230m campaign to save the Statue of Liberty for posterity.

The old lady, star of countless movies, and the inspirer of generations of immigrants, is now feeling her age. On Independence Day last week, a large crane delicately lifted the famous beacon from where it has nestled in her upraised hand for the past 98 years and lowered it 150 ft to the ground. But well before that, the scaffolding had gone up in the two-year effort to take the rust out of her joints in time for the centenary celebrations.

Mr Iacocca, unquestionably the most popular businessman in the U.S. after his heroic efforts as chairman of Chrysler, has been behaving true to form, beating the drum to great

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effect as much more than a figurehead of the fund raising drive. After less than a year, $100m has already been pledged for the joint scheme to refurbish the statue and Ellis Island, the immigration port where many newcomers first set foot on U.S. soil. Mr Denver Frederick, director of fund raising for the campaign, reckons he will have garnered in the rest in time for the rededication ceremonies led by "President Reagan, President Mondale, or whoever," in October of 1986.

If he achieves his aim, it will be a considerable improvement on the original financing. Liberty was dreamt up in 1865 by a *gron pol* nostalgic intellectual French Republicans during the French Second Empire. They were anxious to raise a tribute in a country where freedom, as they saw it, still reigned. By the time the statue was put together, 20 years later, Louis Napoleon was gone, France again a Republic, and the funds were easily raised.

Over in the U.S., however, it proved virtually impossible to put the money together for the pedestal, and there was talk for a time that Liberty would go to Philadelphia. The way out of this impasse was found by a publicist who, in his day, was as celebrated as Mr Iacocca and his famous television ads. Joseph Pulitzer, of Pulitzer Prime fame, wrote an enraged editorial in the New York "World" about the tight-fistedness of the city's burgeoning moneyed class—this was, after all, the Gilded Age—and offered to print the names of all donors to the scheme.

One smart device being rapidly refined for the campaign is the so-called "cause related marketing" technique, whereby a company offers to contribute to a philanthropic scheme if the public uses its services. According to Mr Frederick, a three-month American Express promise to give one cent, for every time its card was used, along with other benefits, generated $1.7m, while increasing use of the Amex card by 28 per cent. "The company believes it has been good for the organisation beyond the period of the campaign," says Mr Frederick. "I think there will be a wave of this type of marketing."

The expenditure on Liberty will go mainly towards replacing her original skeletal structure. Designed by Gustave Eiffel several years before his famous Parisian tower, and often seen as a harbinger of the iron frameworks used in the first U.S. skyscrapers, the metal structure is now badly rusted.

It will be taken down bit by bit and replaced with stainless steel. This is reckoned to be much more resistent to the electrolysis process which had been fatal for the ironwork in contact with the 300 copper panels that form the skin of the structure. These external sections need a little patching here and there, but will mainly be left in place, covered as before in green paint which has proved to be an excellent preservative.

The only bit of the statue which has proved impossible to restore is the beacon. It was so badly rotted that the campaign directors have decided to replace it, although it will find a permanent home sheltered from the elements in the museum underneath the pedestal.

As the beacon was removed to the cheers of an admiring July 4 crowd, Mr Iacocca was on hand to deliver a simple, stirring speech on the liberty theme. The Chrysler chairman, one of the most sought after guest speakers in the U.S., whose popularity is such that he could collect vast fees for telling fellow executives how to revamp another Chrysler, says he is giving his services to the campaign as a gesture to his parents.

They were both Italian immigrants, his father arriving totally penniless, a genuine member of the "poor, huddled masses" commemorated in the declamatory verse on the pedestal. Years later, when his mother arrived, she struggled on deck suffering from typhoid fever to catch her first glimpse of the "grandest lady in the world." For Mr Iacocca the American dream is worth a speech or two.

Contributors:
Louise Keogh
Terry Dodsworth

BUILDING SOCIETY RATES

	Share a cs %	Sub'pn shares %	Others %	
Abbey National	6.25	7.25	7.25	Seveo-day account
			7.75	Higher interest acc. 90 days' notice or charge
			5.00-6.50	Cheque-save
Aid to Thrift	7.50	—	—	Easy withdrawal, oo peoalty
Alliance	6.25	7.25	7.25	Monthly iocome—1 mth.'s notice. 7.50 £2,500+
			7.50	28 d. not. im. wdl. 28 d. pen. if bal. uod. £10,000
			7.25	7 days' ootice. No interest penalty
Anglia	6.25	7.25	7.75	3-year bond. No ootice. 3 mooths' penalty
			7.75	Capital share. No ootice. 1 month's peoalty
			7.25	7 days' ootice. No interest penalty
Barnsley	6.25	8.00	7.90	2-year term—3 months' notice no penalty
Birmingham and Bridgwater	6.25	7.75	7.25	5 days' notice or 20 days' int. penalty £500 min.
			7.75	Guaraoteed fixed rate. 12 months. £500 mio.
Bradford and Bingley	6.25	7.50	7.50	On demand, no peoalty
			8.09	High yield SAYE 7-year lump sum scheme
Britannia	6.25	7.25	7.25	7 days' notice. 7.50 28 days' notice
Cardiff	7.25	7.75	*7.50	* Share accouot balance £10,000 and over
Catholic	6.50	7.50	8.00	Jubilee bood. Mio. £1,000 Monthly income
Century (Edioburgh)	7.35	—	8.10	permaoent. 7.85 variable. 2/3 years
Chelsea	6.25	7.25	8.10	3 years, immediate withdrawal interest penalty
Gheltenham and Gloucester	6.25	7.25	7.50	Gold account £1,000+ No notice No penalties Moothly int. £5,000+ 7.76 if added to account
Citizens Regency	6.50	8.00	7.40	Plus account oo peoalty Double option 7.50
City of London (The)	6.50	7.25	8.00	6 mooths' notice—oo penalty duriog ootice
Derbyshire	6.25	7.50	8.00	7.25 1 month's ootice. 6.75-7.60 3 mooths' notice
Gateway	6.25	7.25	7.25	£1,000+/7.50 £10,000+ Gold Star
Greenwich	6.25	7.50	7.25-7.50	subject to balance/7 days' ootice
Guardian	6.50	—	8.15	6 months. 7.75 3 months. £1,000 mioimum
Halifax	6.25	7.25	7.25	7-day Xtra. 7 days' ootice, no penalty
			7.50	28-day Xtra. 28 days' ootice, oo peoalty
			7.75	90-day Xtra. 90 days' notice, no penalty
Heart of England	6.25	7.50	7.75	90-day notice. 7.50 5-day notice
Hemel Hempstead	6.25	7.50	8.00	2 years. 7.60 28 days. 7.35 over £5,000
Heodoo	7.25	—	7.75	3 months
Lambeth	6.40	7.50	8.05	28 days' plus loss of ioterest. 7.25 3 months'
Leamington Spa	6.35	—	7.50	Spa income, pd. moothly, no notice, no penalty
			7.75	Lion 30 days' notice, or penalty, £1,000 min.
Leeds and Holbeck	*6.25	8.00	7.75	Monthly interest. 7.75 1 month's notice or pen.
Leeds Permanent	6.25	7.25	7.75	HRAS 3 m. nt. no peo. 7.50 EIA 28 d. nt. oo po.
Leicester	6.25	7.25	8.00	compouoded. 3 years. 7.50 28 days' notice
Loodoo Permanent	6.75	—	7.75	1-year term. Imm. wdl. with loss of 1% boous
Midshires	6.25	7.75	7.75	3-year term with 0.5 bonus on mat'y if reiovstd.
Mornington	7.50	7.50	—	Prompt withdrawals—no penalty
National Counties	*6.55	7.55	7.80	1 mooth's notice (no penalty). * £1,000+
National and Provincial	6.25	7.25	7.50	1 month's ootice or immediate and ioterest loss
Nationwide	6.25	7.25	7.75	Capital bonds. 3 years. 90 days' notice/penalty
			7.50	Super boous account. 60 days' notice/penalty
			7.25	Bonus—7 accounts. 7 days' notice/penalty
Newcastle	6.25	7.50	7.75	90 days' notice, or on demand with penalty
			7.25	28 days' notice, or on demand with penalty
Northern Rock	6.25	7.50	7.50	Mooeyspiooer plus. 7 days' notice withdrawal No penalty, minimum investment £10,000
			7.25	On investments £1,000-£9,999
Norwich	6.25	7.50	7.50	City account. Immed. withdwls. with no peoalty
Paddingtoo	6.75	8.25	7.75	1 mth.'s oot. or 1 mth.'s int. loss on sums wdn.
Peckham	7.00	—	7.50	7 days, 8.0 3 months
Portman	6.25	7.75	7.75	Two mooths' notice. 7.50 no notice
Portsmouth	6.55	8.05	8.20	3 years, 8.00 6 months, 7.75 1 mooth
Property Owners	6.75	8.00	7.75	7 dys., 7.85 28 dys., 8.10 5 mths., 7.50 mthly. inc.
Scarborough	6.25	7.50	8.00	2-year limited share, 1.75 guarantd. differential
Skipton	6.25	7.50	7.75	Sov'reign £10,000+, 7.50 £5,000+, 7.25 £1,000+. No penalty. No notice monthly income
Stroud	6.25	7.50	7.85	3 months', 7.60 £10,000+ no peoalty, no notice
Sussex County	6.25	8.00	7.25	7 days' notice, 7.50 SxSh, 6.50 Sn a/c £2,500+
Sussex Mutual	6.50	8.00	7.75	Monthly iocome at 1 month's notice
Thrift	7.15	—	8.15	3-year term. Other accounts available
Towo and Country	6.25	7.25	8.00	90 days' not. or pen. if bal. goes uoder £10,000
			7.50	7 days' not. or peo. if bal. goes uoder £10,000
Wessex	7.60	—	—	No notice. No penalties
Woolwich	6.25	7.25	7.25	7-day accouot, 7 days' ootice
			7.50	28-day accouot, 28 days' ootice/penalty
			7.76	90-day account, 90 days' notice/penalty
Yorkshire	6.25	7.25	7.75	Diamond key. 60 days' penalty or 28 days' ootice without peoalty

All these rates are after basic rate tax liability has been settled on behalf of the investor.

Lennons recovers sharply to £1.2m

A FIRM and steady recovery is indicated in a rise in pre-tax profits from £542,000 to £1.17m by Lennons Group for the year to the end of March 1984, against the previous year to April 2 1983. Mr D. P. Lennon, chairman, points out that the year has not been without difficulties and he would have liked to have been able to report greater progress.

At the halfway stage this Merseyside-based group, which retails food and allied products through its supermarkets and stores, reported a turnround to profits of £600,000 (losses £135,000).

Commenting on outlook Mr Lennon says that he anticipates a satisfactory outcome for the next full year. Many changes are taking place within the group which will result in a longer term improvement in return on capital employed and help the group's capacity to meet the challenges posed by competitors.

He adds that although consumer spending has improved marginally on a national basis, the group is trading in an area most affected by recession.

The net final dividend has been lifted from 0.6p to 0.75p which raises the total from 0.85p to 1.05p.

Turnover moved down from £94.59m to £91.32m. Mr Lennon says that a rationalisation programme continued through the year under review, with the closure of a supermarket in Sale, South Manchester. The licences from five wines and spirits stores have been transferred into nearby supermarkets and a further six stores which were no longer viable were closed.

At the beginning of the year trading started from a new licensed supermarket in Garston, Liverpool, replacing the existing outlet in that area. Mr Lennon reports that this store is trading satisfactorily, and most of the shop units which complete the development have been let.

An integrated warehousing and distribution system became operational during the second half of the year.

A site at Maghull on the north side of Liverpool has been acquired for the construction of a supermarket of 22,000 square feet and nine individual shop units for letting.

● comment

Although the figures suggest a recovery trend, there are still some worrying aspects to these latest results from Lennons, which has the misfortune of being located plumb in the midst of the depressed North West. The first is obviously the off-licences, where low demand and the customer trend of using supermarkets for their wine and spirit needs is forcing the company to close marginal independent sites and relocate some of them inside its supermarkets. The current pattern of trading will almost certainly force further closures. On the supermarkets side, the picture is less critical, but the results do show a second half slowdown. This is not adequately explained but part of the reason is no doubt due to the extra overheads of phasing of the new warehousing and distribution system. Here, there are similarities to the off-licence problem, where Lennons is being forced to get out of its smaller, low-volume outlets. The aim, no doubt, is to end up with a smaller number of supermarkets of greater average size capable of generating a much higher sales ratio per sq ft. The ideal trading profile—in both divisions—is still some way off, which raises questions over the short term. At 59p, down 1p, the shares are selling on a p/e of over 16—an asset stock looking for a takeover.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bristol Stadium	1	Aug 9	0.9	1	0.9
Lennons Group	0.75	Aug 25	0.6	1.05	0.85
St Andrew Trust ... int.	2.5	Oct 1	2.5	—	7
Victoria Carpets	0.75	—	0.2	0.75	0.2

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

LOFs secures two year reprieve with £8.6m rights

London & Overseas Freighters yesterday won two years breathing space when Hill Samuel arranged underwriting for a rights issue of £8.6m. That will provide sufficient liquidity until the March year end in 1986 and allows Williams & Glyn's and The Bank of Nova Scotia to extend the maturity of their loans to the tanker group.

But LOFs stressed that the outcome depends on the future course of freight rates, and ship values. Although the group acknowledges that it would be in jeopardy without this new capital injection, it leaves the decision whether to take up the rights to shareholders' own judgement.

The rights issue is necessarily shaped by the enormous gulf between net worth of £5.4m and borrowings of £45.25m. Shareholders are entitled to subscribe to four new preferred 1p ordinary shares at 4p per share for every 25p nominal ordinary share they already hold.

The exercise calls for the issue of 225m new preferred shares which will equal 80 per cent of the voting rights of the enlarged equity.

In current conditions, the board, headed jointly by Mr Manuel Kulukundis and Mr Stanley Sedgwick, believes that LOFs would not be able to sell some or all of the tanker fleet to "realise cash significantly in excess of the amounts secured on it."

So the fleet is to be retained for the time being although the "London Enterprise" is now going on the market for sale.

The accounts for the year to March last show a net deficiency of £8.7m on distributable reserves and the chairmen warn that "the prospects of dividends on the new preferred ordinary shares and the existing ordinary shares in the foreseeable future is remote."

LOFs realises that the rights issue proceeds are not, in themselves, sufficient to rebuild the balance sheet completely but is resigned to shore up the group's finances and to continue trading until, given a material improvement in charter rates and vessel values, it can "seek further means of reducing indebtedness in a more favourable trading environment."

But there is no guarantee of such an improvement, or even that prevailing charter rates and vessel values will be maintained. In the event that no material upturn is forthcoming, LOFs warns, further financial restructuring will be necessary which might necessitate the disposal of vessels in an adverse market.

The board has seen some improvement in trading conditions since the start of the second half of its last financial year but, with losses of £10.31m the profit and loss account is barely improved. After accounting adjustments to the burden of repaying dollar and yen denominated debt, LOFs is carrying forward an attributable loss of £12.24m in the current year against a £22.09m deficit at the end of March 1983.

A pro-forma balance sheet, post rights, shows net worth of £14.09m although in excess of one year's maturity would be £41.71m. The board, urging shareholders to vote for these proposals at an extraordinary meeting on August 6, now wants powers to borrow up to the higher of £70m and five times adjusted net worth.

The banks have agreed to extend repayment of dollar debts worth £14.7m by two years to 1986 and will also advance dollar facilities to help meet yen outstanding worth £5.2m payable to the Sumitomo Corporation.

See Lex

Lotus revives on rescue package

Group Lotus yesterday revealed a £275,000 pre-tax profit for 1983, against a loss of £2.14m the previous year, on sales up sharply from £9.4m to £12.8m.

It was the first public evidence that the £4.69m rescue package put together last year with the support of British Car Auctions and Toyota is succeeding in turning the company round.

Mr David Wickens, chairman of the Lotus group and of BCA, said that trading had been bouyant throughout the year. The company had made about 660 cars against 550 a year before. After a three-year break the company was again selling cars to the U.S.

"In 1983 cars and service sales were up by 39 per cent and engineering activities (design work for other manufacturers) were up by 24 per cent over 1982," he said.

In the current year Lotus planned to produce 800 cars of which about 300 would be sold in the U.S.

The figures reveal that the legal battle Lotus fought against Inland Revenue tax assessments of £85m cost the company £140,000 in fees. The company successfully appealed against these "protective assessments" which it claimed the Revenue had made as part of an investigation into the De Lorean sports car venture. Lotus had carried out design work for De Lorean.

Mr Wickins said that the total impact of the De Lorean matter had been significantly greater than the £140,000 legal bill. "A lot of companies had been wary of dealing with Lotus," he said. "We have put it all behind us now."

Lotus also disclosed that last year's refinancing cost £240,000 in consultancy fees. As a result of the package the family of the late Colin Chapman, the founder of Lotus who died in 1982, saw its stake reduced to about 18 per cent. BCA is the biggest shareholder with 26 per cent, Toyota has 16.5 per cent and another 15 per cent belongs to Coleman Milne, a company in the Hawley Group, run by Mr Michael Ashcroft.

Toyota has a vital role in the development of the X-100, Lotus's new car, for which it is supplying the engine, gearbox and axles. Mr Wickens said the car would go on sale next summer, probably priced at under £10,000.

Mr Wickens hopes to sell 3,000 X-100 cars a year. He intends also to develop the engineering work done by Lotus for other manufacturers to raise a steady stream of royalty earnings. His plan is for a company with sales of £35m a year, generating £2m to £4m profit.

In the meantime there is no dividend this year and almost certainly none next year. The shares, 60p up 4p, are for the present at least an investment for lovers of the Lotus car.

Margins depressed at Oceonics

MARGINS CAME under further pressure in the seasonally sensitive second half at Oceonics Group and resulted in a £2.78m decline to £3.23m in full-year taxable profits.

The "extremely poor" trading conditions in the offshore oil and gas industry during 1983 continued through to the end of the year to March 31, 1984.

Oceonics, a supplier of electronic systems to the offshore, survey, oceanographic and engineering industries, says that its equipment companies did not achieve the sales volume which had been the pattern in previous years.

Group profits in the second half declined from £3.02m to £1.09m following a £356,000 fall to £2.14m at midway.

Despite this setback, however, the directors say that the group now has a broader, stronger base and much greater resources and look forward to "substantial profits growth" in both this and future years.

Turnover for the 12 months amounted to £40.43m, against £39.8m, including some £9.2m attributable to two acquisitions, Laser and MPE (Tomash), which produced a profit of £858,000.

Two other acquisitions, Air-Log and Gomap, were not merger accounted and although they did not contribute significantly to the results, they are expected to do so in the current year.

Tax payable was £200,000 higher at £722,000 and minorities rose to £42,000 against £30,000.

Earnings per share declined from 19.4p to 7.6p per 10p ordinary but the directors have recommended an unchanged single final dividend of 0.75p.

After dividends and extraordinary debits, less tax, of £1.27m (£405,000) the profit attributable to members of the holding company emerged at £784,000 (£4.08m). Extraordinary items relate to merger and cessation costs.

Excluded from the results is some £7.23m (£79,000) goodwill on acquisitions written off, a £1.19m provision for deferred tax, and £7.99m gross proceeds arising from shares issued during the year.

Figures for the 1982-83 year have been restated.

BATs expands in Brazil

BAT Industries, the diversified British group, is substantially expanding its Brazilian interests through the $37m (£28.5m) purchase of a controlling interest in a fruit juice maker.

BAT's 75 per cent subsidiary, Souza Cruz Industria Comercio, is investing in Industrias Alimenticias Maguary, which has 45 per cent of Brazil's fruit juice market. Its holding is being purchased for cash from the Tavares de Melo family.

Souza Cruz, which already has a subsidiary exporting grape and orange juices, aims to use Maguary's larger manufacturing capacity for a stronger export drive as well as to develop brands on the domestic market.

Souza Cruz's other operations include cigarette manufacture, in which it has 80 per cent of the Brazilian market, and tobacco leaf, of which it says it is the world's largest exporter.

Asians take more of Rowton

The two Asian hotel-owners who have emerged as major shareholders in Rowton Hotels in recent weeks are continuing to increase their holdings.

Rusblake Investments, Mr Nurdin Jivraj's newly-created company, bought the 16,000 shares previously held by Mr Freddie Stirling, one of the two dissident Rowton directors who stepped down at Thursday's shareholders' meeting. This takes Rusblake's stake to 29.95 from 28.51 per cent.

A Rusblake spokesman said the company had no immediate intention of buying any more shares. Mr Nazmu Virani yesterday announced his interests have increased their holdings in Rowton to 18.46 per cent from 17.67 per cent. Rowton has said it is willing to offer Mr Virani a board seat.

Turnround to profit for Victoria Carpet

THE encouraging trend Victoria Carpet Holdings reported last year produced a swing to a pre-tax profit of £687,330 for the year to March 31 1984, against last time's £39,024 loss.

This manufacturer and distributor of carpets is recommending a higher single final dividend of 0.75p (0.2p) net. The company is a close company.

Turnover rose to £22.4m, against £17.46m.

A tax charge of £121,587 (£22,698) and provision for deferred tax of £52,500 (nil) left attributable profits of £518,243 compared with a loss of £105,822 last year, when the figure included a £47,200 loss on closure of the Axminster department of the company's Australian subsidiary.

Dividends are to take £44,026 (£11,740). Earnings per ordinary 25p share were given as rising to 9.35p, against last time's 1.02p.

The directors report that the Australian company made a good recovery after a depressed result for 1982-83, and continues to progress. However, the UK market remains very difficult after a particularly discouraging last quarter.

GKN pays £25m in agreed bid for Beck/Arnley

BY ALEXANDER NICOLL

Guest, Keen and Nettlefolds, the engineering group, is expanding its U.S. automotive components interests by making an agreed bid worth $32.6m (£25.1m) for Beck/Arnley, a New York company.

Beck imports and distributes replacement parts for virtually all types of imported cars and light trucks, and also "remanufactures" parts for imported vehicles—refurbishes worn parts.

GKN already has a U.S. subsidiary, Parts Industries Corp, which has trebled its sales to over $300m since it was acquired in 1979. A unit of PIC, Worldparts, is already involved in parts for imported vehicles, and is of equivalent size to Beck, which had turnover of $40.4m and pre-tax profit of $2.3m in 1983.

Worldparts is strong in the Central and South-eastern states, while Beck's interests are concentrated in New York and California.

Beck specialises in brake components and clutch assemblies, and plans to expand into electrical parts such as alternators and dynamos.

Shareholders of Beck, which is traded over the counter on the NASDAQ system, are being offered $15 per share, compared with Wednesday's closing price of $13.25. Beck's board is recommending the offer.

A GKN subsidiary has been granted options to buy 1m shares or 46 per cent of the existing share capital, as well as an option to acquire unissued Beck shares which would take the GKN holding over 50 per cent.

GKN said it would finance the purchase from an existing pool of bank facilities in a variety of currencies.

Beck's four executive directors will retain their management posts under the GKN plans, but GKN said there would be benefits from the combination of some commercial and operational functions of Beck and PIC.

In response to the bid, GKN's share price rose 1p to 158p, valuing the company at £349.2m.

Shuck acts on City criticism

BY RAY MAUGHAN

Mr Ronald Shuck has responded to City criticism of his extensive involvement in two public companies, by arranging to sell his substantial interest in one of them, Associated Telecommunications, to a boardroom colleague.

The move follows this week's statement, designed to stem a sharp share price fall, at his other quoted vehicle, Espley Trust, the West Midlands building group, for which Mr Shuck has been obliged to give assurances concerning the disposal programme and future dividend policies. Esley shares lost 1p yesterday to 32p.

Conditional terms have now been agreed whereby, given Panel consent to a Rule 34 waiver, on a compulsory full offer, Mr Shuck and Mr Trevor Homer sell an aggregate 39.5 per cent stake in Associated Telecommunications at 45p per share to raise almost £575,000 gross. The prospective buyer is Mr Hendrik van Eck who intends to build AT's instalment credit subsidiary, North Wales Trust, into a financial services group, arranging for the provision of any additional finance required to achieve that objective.

Mr Shuck, however, will be taking out the business systems operations he injected into AT last summer when he took control of what was then Associated Tooling Industries.

Associated's shares climbed 5p yesterday to reach the proposed transaction value.

Hill Woolgar to raise £3m through placing

HILL WOOLGAR, a licensed dealer in securities in the Over the Counter Market, has raised £3m through the placing of 2m Hill Woolgar ordinary shares at 150p per share.

The company plans to come to the Unlisted Securities Market later in the year along with four of its client companies, including Falcon Oil and Mercantoil.

The funds from the placing will be used to expand the company's OTC operation. It currently trades in seven stocks and is planning a further 10 OTC Business Expansion Scheme placings.

Falcon acquires Bovis offshoot

Falcon Industries, formerly known as Jenks and Cattell, the building construction and tool manufacturing group, has acquired Wyseplan, a subsidiary of Bovis for about £1.4m. Bovis is itself a subsidiary of Peninsular and Oriental Steam Navigation.

Falcon has agreed to pay 90 per cent of Wyseplan's estimated £1.6m asset value, with a maximum payment set at £1.5m.

The purchase has been financed by the issue of 3.68m ordinary Falcon shares, which have been placed principally with institutional investors at a price of 38.5p each. Any remaining balance will be paid in cash.

Wyseplan, based in North Humberside, principally manufactures prefabricated buildings for industrial and commercial use. It made pre-tax profits of £240,000 on turnover of £9.55m in 1983, compared with a loss of £120,000 on turnover of £7.22m in 1982.

Falcon is already in the building construction business with its subsidiary Elliot-Medway Construction, but has primarily served local authorities with projects such as school construction.

"Wyseplan is involved in the primary sector of industry and also has some overseas contracts, so we think it will fit in well with our existing business," explained Mr Terry Leece, managing director of Falcon.

Falcon has also acquired the lease on Wyseplan's freehold property. Bovis will cover Wyseplan's current debtors and creditors.

Restaurant chain directors join Leisuretime

By Charles Batchelor

LEISURETIME International, the hotel and travel chain formerly known as the Old Swan Hotel (Harrogate), has appointed three directors of Kennedy Brookes, the restaurant chain, to its own board.

The three new directors will bring additional expertise in the travel and leisure field where Leisuretime now plans to expand. Kennedy Brookes, which operates the Wheeler's and Mario and Franco restaurants, own 7.88 per cent of Leisuretime.

Mr Michael Golder, Kennedy founder and chairman, Mr Roy Ackerman, deputy chairman and Mr Laurence Isaacson, a Kennedy director, joined Leisuretime yesterday.

Mr Michael Scorey, a Leisuretime director, said the existing board had other business commitments which made it necessary to bring in extra directors.

Kennedy Brookes has recently diversified into the travel sector buying into Galleon World Travel, which has travel agencies and operates coach tours. It also bought Travel Lloyd, a business travel agency.

Mr Golder said the travel operations could bring more customers into Kennedy's restaurants while there were plans to extend further into the high margin end of the travel business, in particular into activities with an asset base.

Morgan Grenfell

Morgan Grenfell said the issue of 11.25m new ordinary shares at 400p per share announced on May 21 1984 had been oversubscribed.

Of the 10,634,189 new ordinary shares provisionally allotted by way of rights, 90.6 per cent had been taken up and excess applications were received for substantially more.

Leech still urges bid rejection

BY RAY MAUGHAN

IN THE week remaining before the contested £21.45m bid from C. H. Beazer (Holdings) finally closes, the board of William Leech, the Newcastle-based housebuilder, has again written to its shareholders urging them to reject the 145p per share terms.

Mr William Leech, the founder and president of the company who has the power of veto over a 29.7 per cent stake held by The William Leech Foundation in the housebuilding group, is again reported to be adverse to the bid although he has still not been able to discuss it with the board of the Foundation.

The Foundation's stake looks to be becoming increasingly important to the outcome but its destination will not be decided finally until the board, advised by Morgan Grenfell, meets Mr Leech next week.

The beneficiaries of the Foundation are five charities and, as the defending board sees it, "Beazer's proposal is, when examined, in essence to obtain from the charities assets worth £10.6m, in return for £6.46m cash. The result would be that, far from the benefit of Mr Leech's generation going to charitable good works, the difference of £4.14m will go into Beazer's pocket for the benefit of Beazer and its shareholders."

The calculation of the assets attributable to the Foundation's holding stems from a recent independent property valuation giving Leech asset backing of 238p per share.

Morgan Grenfell will be meeting the Foundation on Monday and, having ascertained its members' requirements and objectives, will be advising accordingly.

Country Gentlemen rescued

BY ALEXANDER NICOLL

A LIBERAL peer — or rather the trustees for his children — has rescued the Country Gentlemen's Association from its unwanted predators. The "trustees of Lord Tanlaw's Settlement" have disclosed a 24 per cent stake in the Association.

Mr Peter Earle, CGA chairman, said yesterday: "We are very happy. We regard him as a friendly entity." Lord Tanlaw, a member of the Inchcape family, has been a shareholding member of the CGA for 20 years.

The trustees' stake, totalling 175,650 shares, includes an 11.3 per cent holding recently acquired by the Atlanta Investment Trust and a 9.6 per cent stake bought later by Edinburgh Financial Trust. Both were interested in offering their financial services to the CGA's 32,500 members.

The CGA was once a mail order firm supplying gardening equipment, but has become principally a financial services concern providing insurance, financial and other advice for its members, as well as a monthly magazine.

It has sought to protect the impartiality of its services, and therefore opposed a tender offer by Atlanta in June for 29.9 per cent of the company. The tender, for 218,000 shares at £5 each, won Atlanta an 11.3 per cent holding. Immediately afterwards Edinburgh Financial bought its smaller stake.

Mr Earle met representatives of both companies. Edinburgh sold its stake after "no basis could be found for the development of interests mutual to both companies." Atlanta, disclosing the sale of its stake, noted the rise in CGA's share price since its tender offer.

CGA shares closed yesterday at 620p, down 5p, valuing the company at £4.55m.

Morrison

Stanlety P. Morrison has acquired Auchentoshan Distillery.

Auchentoshan, established in 1823, produces triple distilled lowland malt whisky which is also sold as a single malt in a number of world markets.

The purchase of Auchentoshan augments the group's Highland and Islay production facilities and adds a further single malt whisky to the Bowmore and Glengarioch labels marketed by the company.

SUMMARY OF THE WEEK'S COMPANY NEWS

Take-over bids and deals

An offer for the most favoured bid target in the composite insurance sector duly arrived on Wednesday when Sun Alliance and London Assurance announced that it was prepared to pay nearly £400m for Phoenix Assurance. Sun's agreed offer of 650p per share cash came after its subsidiary, Sun Insurance Office, had already bought a 24.3 per cent stake in Phoenix from Continental Corporation of the U.S.

Rio Tinto-Zinc was successful in raising its Stake in Enterprise Oil to 29.8 per cent. When its tender offer closed, it had paid a lower-than-expected price for an additional 32m Enterprise shares. They cost 101p per share against the maximum tender price of 110p. This compares favourably with the 105p paid in a "dawn raid" for a 4.7 per cent stake in Enterprise and the 100p at which it obtained its initial 10 per cent holding in the Government's offer for sale.

Mr Robert Maxwell has succeeded with his latest effort to break into ownership of Fleet Street newspapers. Via his company Pergamon Press, he is paying Reed International £113.4m for Mirror Group Newspapers. Mr Maxwell also gets MGN's 5.2 per cent stake in Reuters pus a 5.3 per cent holding in Press Association which owns a further 10.6 per cent stake in Reuters. Reed said that the deal would yield net proceeds of £90m, well above City estimate of what MGN might have raised if Reed had persued its original plan to float MGN on the Stock Exchange.

Thorn EMI has agreed to pay £95m cash for the Government's 76 per cent holding in Inmos, the microchip manufacturer. The Government has invested £65m in Inmos since 1978. In the fourth quarter of last year, Inmos made a small profit after six years of losses. It expects to make profits of around £15m this year on the back of the continued boom in world microchip demand. Thorn intends to develop Inmos's worldwide business along current management lines. The deal ends months of uncertainty about the future ownership of Inmos.

Prices in pence unless otherwise indicated.

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Anuis Securities	55*‡	53	43††	13.82	Guardian Ryl Ex
Castlefld (Klang)	£10.79†	975	925	—	Hrrsn Mlyn Plants
Coleman Milne	60*	60	58	9.59	Midepsa
Comben	77*	75	56	44.19	Trafalgar House
Gope Allman	88½*	91	96	34.87	Midepsa
Copydex	200*	197	155	6.10	Beecham
De Vere Hotels	320*	305	307††	44.52	BET
Doranakande	361†	333	240	—	Hrrsn Mlyn Plants
Fenner (J. H.)	133§§	138	114	34.21	Hawker Siddeley
Grindlays	275*	260	165	181.95	ANZ
Hadland	145*	140	140	4.63	Xenotron
Halstead (J.)	95§§	68	78	13.06	British Syphon
Harrison Cowley	160‖	150	160	7.50	Saatchi & Saatchi
Initial	535§§ §	472	404	172.38	BET
Jessel Toynbee	93‡§§	91	98½	19.98	Mercantile House
Kinta Kellas	373†	353	475	—	Hrrsn Mlyn Plants
Leech (Wm)	145*§	118	100	21.8	Beazer (C. H.)
Lincroft Kilgour	122§	107	106	4.39	Finlan (J.)
Macpherson (D.)	140*	138	109	25.35	Tikkurila V. Oy
Malaysia Rubber	349†	340	190	—	Hrrsn Mlyn Plants
Marshalls Unvrsl	60‡	42	46	9.76	Grovebell
Midsummer Inns	215*	225	155	1.25	Swithland Leisure
Phoenix Assce	650*	620	472	396.63	Sun Alliance
Priest Marians	450*§	500	575	0.37	Mr Simon Fussell
Silverthorne	50*	50	41	1.75	Unnechrome
Sogomana	707†	675	520	—	Hrrsn Mlyn Plants
Sungei Bahru	328†	310	210	—	Hrrsn Mlyn Plants
Whatlings	112*	115	89	5.76	Marchwiel
Woodward (H.)	76†	75	56	1.82	Bridgend Process

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ‖ Loan stock alternative. ** Based on 13/7/84. †† At suspension. ‡‡ Estimated. §§ Shares and cash. ¶¶ Related to NAV to be determined. ‖‖ Loan stock.

Scrip Issue

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Assoc Newspapers	Mar	8,360	(7,000)	4.5	(4.5)
Bett Brothers	Feb	616	(320)L	1.2	(1.0)
Bio-isolates	Mar	162L	(111)L	—	(—)
Birmid Qualcast	Apr	4,790	(2,010)	0.66	(0.33)
Denmas Elect	Mar	475	(—)	—	(—)
Greenfields Leis	Apr	170	(54)	0.25	(0.25)
Grovebell Group	May	417	(304)	0.25	(—)
Imperial Group	Apr	90,700	(79,100)	3.0	(2.75)
McMullen & Sons	Mar	927	(1,170)	—	(—)
Neil & Spencer	May	473	(121)	—	(—)
Ozalid Grp Hldgs	May	556	(440)	—	(—)
Rank Organisation	May	47,800	(37,500)	4.8	(4.0)
Securigard	Apr	322	(235)	—	(—)
Southern Bus Leas	Mar	710	(546)	0.75	(—)
Tace	Mar	1,010	(444)	1.5	(1.0)
TSL Therm Syn	Apr	376	(722)L	—	(—)
Webber Electro	Mar	221	(153)	1.2	(1.0)

(Figures in parentheses are for the corresponding period.)

* Dividends are shown net pence per share, except where otherwise indicated. L Loss.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Birmingham Mint	Mar	334	(660)	13.0	(24.1)	10.5	(10.5)
Brengreen Hldgs	Mar	2,440	(1,850)	4.7	(3.6)	1.4	(1.0)
Bromsgrove Cast	Mar	255	(140)	27.6	(10.1)	2.75	(2.25)
Bulgin, A. J.	Jan	42	(759)	—	(1.5)	0.77	(0.77)
Bulmer, H. P.	Apr	16,090	(13,320)	21.1	(19.6)	4.9	(4.2)
Butterfield Harvy	Mar	106	(583)	—	(—)	—	(—)
Carclo Eng	Mar	2,900	(2,800)	31.1	(12.1)	8.6	(4.55)
CML Microsys	Mar	912	(404)	6.8	(3.1)	—	(—)
Crown House	Mar	5,160	(3,830)	13.2	(10.8)	6.4	(5.75)
Duejan Hldgs	Mar	12,830	(6,930)	45.3	(26.5)	12.5	(5.75)
Delmar Group	Mar	248	(215)	2.3	(2.8)	2.66	(—)
Fleming, R. Hldgs	Mar	15,500	(12,100)	—	(—)	40.0	(30.0)
Forshaws Burt	Mar	2,030	(2,790)	36.6	(34.0)	9.09	(8.63)
Full Smith & Turn	Mar	3,080	(2,600)	21.8	(21.0)	5.25	(4.44)
Harris, Philip	Mar	612	(487)	16.2	(11.0)	7.26	(6.75)
Haslemere Estates	Mar	5,830	(7,090)	15.0	(16.8)	8.7	(7.9)
Helical Bar	Jan	600L	(72)L	—	(—)	—	(—)
Howden Group	Apr	6,360	(5,690)	9.7	(9.1)	2.8	(2.42)
Jones Stroud	Mar	3,360	(2,730)	20.8	(20.3)	8.0	(7.3)
Joseph, Leopold	Mar	513	(680)	19.1	(25.5)	11.25	(11.25)
Lloyd, F. H.	Mar	1,060	(635)	3.9	(1.8)	1.25	(1.0)
LMI	Mar	5,000	(3,930)	11.0	(9.1)	8.0	(7.75)
Magnet & Sthrn	Mar	32,130	(24,330)	14.1	(19.6)	4.7	(3.9)
Marling Inds	June	2,000	(575)	8.9	(2.5)	1.3	(1.08)
May & Hassell	Mar	3,040	(728)	37.2	(11.0)	5.0	(3.8)
Mebon	Mar	804	(606)	7.6	(—)	2.0	(—)
Mitchell Somers	Mar	1,030	(1,230)	5.2	(6.0)	3.25	(3.25)
Monk, A.	Feb	3,130	(3,600)	22.5	(26.4)	6.5	(6.0)
Neepsend	Mar	145	(792)L	1.0	(—)	0.1	(0.1)
Ransom, W.	Mar	378	(266)	20.8	(11.9)	7.5	(6.5)
Rainers	Apr	1,070	(350)L	2.6	(—)	—	(—)
Rotaprint	Mar	232	(401)	0.2	(2.1)	—	(—)
Stirling Group	Mar	1,500	(1,250)	14.7	(11.2)	1.8	(1.25)
Stroud, Ril, Drum	Mar	916	(1,000)	10.4	(10.9)	2.25	(2.25)
Tex Abrasives	Mar	321	(138)	7.9	(4.2)	3.5	(3.25)
Thorn EMI	Mar	156,800	(122,000)	47.8	(35.4)	17.5	(15.75)
Time Products	Jan	2,700	(3,880)L	5.0	(—)	1.0	(—)
Triplex Foundries	Mar	776	(992)L	9.2	(—)	0.5	(—)
Utd Leasing	Mar	3,460	(1,530)	22.9	(11.3)	2.8	(—)
Watson, R. Kelvin	Mar	578	(540)	9.9	(17.7)	4.25	(4.0)
West Board Mills	Mar	1,990	(1,960)	20.3	(20.9)	8.0	(7.3)
Wintrust	Mar	2,380	(2,150)	14.9	(14.0)	4.3	(3.91)

Offers for sale, placings and introductions

Amari returns to the stock market via an offer of 12.18m shares at 110p per share.

Britannia Security—USM placing of 1.76m shares at 62½p per share.

Compsoft—USM offer for sale by tender of 1.89m shares at a minimum price of 120p per share.

RESULTS DUE NEXT WEEK

The market has been well warned in advance that the full year figures to end March from Distillers — due on Thursday — will he pretty dreadful. Industry volume of Scotch in the second half was down by 10-12 per cent, and it looks as if Distillers' volume might have been down by a similar amount for the year as a whole. The group's biggest market, the U.S., has in fact done well, and volume may actually have been maintained; but in South America — an immensely important market for Distillers in the past — demand has in effect dried up, possibly for good. The one bright spot will have been gin sales, and there will besides be benefits from the translation of dollar earnings. The market is resigned to a pre-tax figure of £175-180m, against £201m in the previous year. Attention will then switch to what promises to be a better performance in the current year, especially given the first-time contribution from the Somerset acquisition.

The smoke of uncertainty has not yet lifted from Rothmans International's tobacco interests but there are clear indications that the second half of the year to the end of March will have been much better than the first when the group's preliminary results are published on Thursday. There should be a strong recovery in Germany and the rising dollar will have boosted UK exports. The figures are, however, likely to be depressed by provisions for the heavy costs of the closure of the Basildon factory due in the current year. The part-owned Canadian brewing interests which had such a sparkling first half have been rather flat in the second, but there will he good increased contributions from Dunhill and other associates. The group should make £145m to £150m pre-tax, up from £130.5m, restated to take account of a switch from year-end to average exchange rates.

BET forecast pre-tax profits of £85m (£70.2m) for the year to the end of March in announcing its plans for the disposal of Rediffusion to Granada and the purchase of the 60 per cent of Initial it does not already own. So interest in the preliminary results due on Thursday will focus on how far the figures confirm the correctness of the group's strategy. There should be few surprises—Rediffusion is expected to have performed badly, suffering from the decline in the TV rental market while industrial services, which includes the existing stake in the Initial cleaning business and Advance Laundries, should show very strong growth. Elsewhere, there should be good gains in construction and in the chain of London local newspapers.

The big question Dowty will face when it presents its results on Thursday for the year to the end of March will concern the impact of the miners' dispute. The figures themselves will reveal very little since the overtime ban had almost no effect on the group's already-depressed mining engineering division in 1983-84 and the full force of the strike will only be felt in the current year. The main aerospace and defence business is marking time supported by the profits from the Tornado aircraft while it waits for an upturn in civil aviation orders. The heavy industrial division, making seals and hydraulic products, has suffered from poor demand, but the electronics business expanded after the year-end by the purchase of Gresham Lion, is buoyant. The group should make about £34m pre-tax, against £36.4m last year.

The effects of the High Street boom can be scrutinised in two sets of retailers' results next week—MFI (full year to end May) on Tuesday, and Dixons (full year to end April) on Thursday. Both should show fairly remarkable growth: the market is expecting as much as £40m pre-tax from MFI, against a previous £30.4m, and from Dixons around £19.5m, against £14m. Both groups have been expanding their store area in very strong trading conditions, but both have also been benefiting from marketing expertise. In MFI's case, this consists of the fast and imaginative development of new products; in Dixons', successful trading up in the value of individual items sold. A further point of interest in Dixons figures will be the tax charge. The group is the acknowledged master of the low tax charge (12 per cent in 1982-83), through methods which it understandably prefers not to advertise. The effects of the Budget are correspondingly hard to judge, but analysts surmise that the charge could remain below the 20 per cent level.

Davy Corporation is still waiting for the recovery in heavy engineering which shows so little sign of coming. The results for the year to the end of March, due on Thursday, should show pre-tax profits of about £6m, scarcely changed from last year's £6.3m, and only a fraction of the 1979 peak of £26m. The figures may also bear the scars of the group's latest cut in capacity—the disposal after the year-end of part of Head Wrightson Teesdale for which some advance provision may well have been made. The group has kept going by winning small orders to replace the large ones on which its fortune was made and the trading performance is supported by strong cash balances, so rare among recession-hit engineering companies. Optimists may be able to glean some comfort from the fact that sales, though down for the second year running, may show that the rate of decline has at least been stemmed.

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Seven, O. F. (Holdings)	Tuesday	—	0.25	0.25
Black Arrow Group	Friday	1.0	2.0	1.25
Bristol Evening Post	Friday	4.0	12.0	4.0
British Building and Engineering Appliances	Tuesday	0.75	1.0	1.25
British Electric Traction Company	Thursday	1.863	5.137	2.25
Brunning Group	Friday	1.925	2.8	1.925
Christie-Tyler	Wednesday	—	—	—
County Properties Group	Thursday	—	1.65	1.0‡
Davy Corporation	Thursday	1.1	2.585	—
Distillers	Thursday	4.5	8.5	4.5
Dixons Group	Thursday	1.45	2.65	—
Dowty Group	Thursday	1.65	2.25	1.7
Elbief	Friday	0.385	1.0	0.44
Ellis and Everard	Monday	2.27273	3.63636	2.5
First Leisure Corporation	Tuesday	—	—	—
Fleming Enterprise Investment Trust	Thursday	2.0	5.2	2.0
Fleming Technology Investment Trust	Wednesday	0.5	1.35	0.8
Greig Shipping	Friday	2.5	5.0	2.5
Hampson Industries	Wednesday	0.25	0.5	0.3
Hillards	Monday	1.2	2.8	1.45
Howden Group	Thursday	0.73	1.69	0.8
Ingram, Harold	Friday	—	—	—
MFI Furniture Group	Tuesday	1.4	2.3	1.7
Multitone Electronics	Thursday	1.0	1.52	1.05
Robertson Research	Wednesday	—	—	—
Rothmans International	Thursday	1.3	4.0	2.0
Siebe Gorman Holdings	Tuesday	2.75	5.75	3.15
Sommerville, William	Monday	0.55	3.95	0.55
Symonds Engineering	Tuesday	0.2225	0.5625	0.2725
Tops Estates	Monday	—	—	—
Vinten Group	Monday	0.805	1.645	0.91
Warehouse Group	Tuesday	—	3.125	—
Wight Collins Rutherford Scott (Hldgs.)	Tuesday	—	2.75	—
INTERIM DIVIDENDS				
Blundell-Permoglaze Holdings	Tuesday	1.6	5.4	
British Kidney Patient Association Investment Trust	Tuesday	—	2.75	
Child Health Research Investment Trust	Tuesday	—	—	
Dawhurst and Partner	Friday	0.225	0.45	
Elandsrand Gold Mining Company	Thursday†	20.0	20.0	
Electronic Machine	Friday	—	—	
Eurotherm International	Thursday	1.0	2.25	
Gestetner Holdings	Friday	0.5	0.82	
Glasgow Stockholders Trust	Friday	1.0	1.57133	
Greenfriar Investment Company	Thursday	—	1.35	
Greenwich Cable Communications	Tuesday	—	—	
Hunterprint Group	Monday	1.2	3.3	
Pratt, Engineering Corporation	Tuesday	—	—	
Rand Mines Properties	Monday†	—	45.0	
Romney Trust	Thursday	2.143	4.143	
South African Land Exploration	Thursday†	30.0	30.0	
Southvaal Holdings	Thursday†	215.0	180.0	
Trust of Property Shares	Monday	—	0.3333	
Union Discount Company of London	Friday	11.0	33.0	
Vaal Reefs Exploration and Mining Co.	Thursday†	585.0	610.0	
Vantage Securities	Tuesday	0.35	0.85	
Western Deep Levels	Thursday†	130.0	105.0	

* Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † Cents per share. ‡ For 15 months to September 30 1983.

Gomba purchases 14.99% interest in Toye & Co.

BY CHARLES BATCHELOR

Gomba Holdings UK, Mr Abdul Shamji's diversified manufacturing and trading group, has taken a 14.99 per cent stake in Toye and Company, the maker of civil and military regalia and jewellery.

Toye's shares rose 23p to 123p yesterday to value the group at £2.76m.

Mr Michael Hendrie, a Gomba director, said this share purchase fitted in with Gomba's ambitions to develop a financial services division.

Gomba already holds an 11 per cent stake in Birmingham Mint, which makes coins, medals, jewellery, buttons and badges.

The company has also recently gone into the jewellery wholesaling and export business in the U.S. and is keen to develop manufacturing capacity. It also owns three safe-deposit centres, renting lockers for the storage of valuables, in central London.

Gomba said it bought 337,800 Toye shares through the market from more than one seller. It has not yet had any talks with the Toye board.

Toye reported pre-tax profits of £262,000 on turnover of £6.15m in the year to December 31 1983, compared with profits of £129,000 on turnover of £6.2m the year before.

* * *

Memec (Memory and Electronic Components) has acquired an 85 per cent interest in Electronica GmbH, a component distributor based in Hamburg, West Germany.

Electronica currently supplies to some 700 customers in West Germany and achieved sales of DM 3.56m (£1m) in calendar 1983.

Consideration for the stake was DM 280,000 in cash.

* * *

Further to the announcement of June 14 Charles Baynes announces that the acquisition of Meadowside Laundries will not now take place.

Murdoch admits to talks on offer for St Regis

BY TERRY DODSWORTH IN NEW YORK

MR RUPERT MURDOCH, the Australian publisher, admitted for the first time yesterday that he had discussed the possibility of making a hostile partial tender offer for St Regis, the U.S. paper and forest products group, in talks with a number of banks on raising the necessary finance for a bid.

The admission was widely seen on Wall Street as a set-back for Mr Murdoch in his moves against St Regis, where he acquired a 5.6 per cent shareholding earlier this month.

In a filing at the Securities and Exchange Commission, he originally described this stake as being for "investment purposes" only. But he has now been forced to amend this declaration twice, revealing in the process that he had considered making a bid for 51 per cent of the company at between $50 and $55 a share. However, the filing said Mr Murdoch had no plans at the present time to acquire additional St Regis shares or to attempt to acquire the company.

St Regis has squeezed these admissions out of Mr Murdoch, who has substantial newspaper interests in the U.S., through a defensive action in the courts. Evidence given by the St Regis lawyers first disclosed the discussions with the banks.

The main significance of this legal manoeuvering is that it give St Regis more time to marshal its defences, while indicating the uncertainty about Mr Murdoch's potential financing for the deal.

On the question of financing, yesterday's documents revealed that Mr Murdoch's negotiations with the banks had raised the possibility of a two step offer. The first move in this process would be a cash acquisition for half of St Regis, followed by a second step in which the company's remaining shares would be acquired for debt.

These moves, the document said, would be contingent upon shareholders in St Regis rejecting the group's proposed acquisition of the Colonial Penn Insurance Company — a defensive move launched by St Regis, which has been the subject of intense takeover speculation this year, before Mr Murdoch's share purchases.

In addition, the document said, the talks raised the possibility of asset sales "to fund the debt incurred." At the $50-55 price range suggested by Mr Murdoch to the banks, St Regis would be valued at between $1.8 bn and $1.96bn.

Analysts in New York believe that Mr Murdoch may be interested in St Regis, regarded as one fo the laggards in the paper industry, for its newsprint interests. The shares have moved up steadily over the last few days to reflect his interest, but in early trading yesterday fell by $3¼ to $41⅞.

Private aid proposal for CI

BY PAUL TAYLOR IN NEW YORK

DREXEL BURNHAM LAMBERT, the Wall Street investment firm, is understood to be working on a proposal which would involve a group of private investors making a major investment in the financially troubled Continental Illinois bank.

Under the proposal the private investors, who are thought to include the wealthy Bass family of Texas, would make the investment as part of a new Federally sponsored rescue effort for the Chicago bank.

The plan would probably require long-term Federal support and might also involve some major reorganisation of the bank's structure—including the now much talked about possibility of spinning off some of its $2.3bn portfolio of non-performing loans, possibly in the form of packaged high-yielding corporate securities.

Last month Goldman Sachs, Continental Illinois' Wall Street investment banker, was reported to have made a proposal under which up to $4bn of Continental's troubled loans would have been spun off into a new institution that plan which would have required long term Federal support.

Yesterday Drexel Burnham Lambert, the Federal Insurance Deposit Corporation (FDIC) and Continental Illinois all declined to comment on the latest proposals or on discussions that are thought to be taking place.

Federal regulators, who sponsored the original $7.5bn rescue package for Continental Illinois in May, are known to be becoming increasingly anxious to resolve Continental's problems which, as Federal banking figures indicate, continue to result in higher borrowings from Federal Reserve Board.

AT & T in Taiwan joint venture

BY ROBERT KING IN TAIPEI

TAIWAN'S cabinet has finally approved a $40m joint-venture between American Telephone & Telegraph (AT&T) of the U.S. and three Taiwan state-owned organisations to produce digital telecommunications switches.

Initial paid-in capital of the venture, which will begin production in two years, will be $20m and total investment will eventually reach nearly $40m. AT&T will hold a 70 per cent share, the Directorate General of Telecommunications 15 per cent, the Bank of Communications 10 per cent, and the Economics Ministry 5 per cent.

The company will mainly produce AT&T's no 5 electronic switching system, but may also manufacture the no 4 switch and so-called packet switching systems. During the first year the company plans to produce 200,000 units but will gradually increase this to 500,000. Sales targets include both the domestic and international markets.

The admission of AT&T into the Taiwan switch manufacturing scene increases competition here and may also pose problems for the Telecommunications Directorate, which holds significant shares in similar joint ventures with ITT, the U.S. conglomerate, and with GTE, the U.S. communications and electrical products concern.

The Directorate plans to digitalise nearly all of Taiwan's toll switches and circuits, and about half of its local exchanges, by 1995. It also plans to inaugurate digital services to subscribers in some areas five years from now and aims for an integrated services digital network or ISDN by the turn of the century.

Unlike South Korea which has similar ambitions, Taiwan has not yet decided who will supply the equipment for each project. Some observers have voiced fears that the appearance of AT&T on the manufacturing scene here could further muddle the situation.

Singer plans float in Malaysia

BY WONG SULONG IN KUALA LUMPUR

SINGER SEWING Machine of the U.S. has restructured its Malaysian operations and is to sell 51 per cent of the business to Malaysians for an estimated 58m ringgit (U.S.$ 25.2m)

In future its major local partner will be Berjaya Kawat, a publicly listed company, which will take up 48 per cent of Regnis, the Singer Malaysian subsidiary, for 54.6m ringgit. Another 3 per cent of Regnis will be sold to its Malaysian employees.

Berjaya Kawat, which manufactures wire and wire-rope, sid it would finance the purchase through a five-for-one rights issue to raise 71.3m ringgit.

Apart from sewing machines, Singer sells a wide range of consumer and electronic products in Malaysia, and unlike other white goods companies, it provides in-house finance facilities for customers—which is a strong selling point.

Regnis recorded a pre-tax profit of 25m ringgit for the year ended February on a turnover of 189m ringgit. For the year ending February 1985, a pre-tax profit of 28.7m ringgit is projected.

Berjaya Kawait itself was Malaysianised recently, and is now jointly controlled by Mr Vincent Tan (the franchise holder of Macdonld Hamburgers) Datuk Azman Hashim (a prominent bankert and Pernas Engineering.

It began life as an Australian-Singapore joint-venture with Broken Hill Proprietory making wire ropes, and steel products for the logging and construction industry.

IBM posts 21% jump in second quarter

INTERNATIONAL BUSINESS Machines (IBM), the world's largest computer manufacturer, has extended its solid record of quarterly earnings advances by posting a 21 per cent rise in second-quarter net profits.

Earnings rose from $1.34bn or $2.22 a share to $1.62bn or $2.65, taking profits for the first six months to a healthy $2.83bn or $4.62 a share against $2.32bn or $3.84.

Sales for the second quarter were $7.1bn, up from $5.4bn in the year ago quarter. Rental income was $1.7bn down from $2.4bn, while services income totalled $2.4bn against $1.8bn.

Sales for the six months were $12.6bn, up from $9.3bn a year ago. Rental income was $3.6bn, down from $4.9bn, and services income totalled $4.5bn, against $3.6bn.

Mr John Opel, IBM's chairman, said: "The positive trends of the first quarter continue with acceptance of our new products remaining high.

"IBM's results continue to reflect a shift toward purchase of new equipment rather than rental, and the purchase of installed rental equipment.

"In addition high volume products are a growing portion of our revenue. We continue to realise significant improvement in expense-to-gross income relationships which reflect further improvements in our productivity."

IBM said shipments of advanced, large-scale processors, disk storage devices, personal computer products and workstations were up sharply

Japan securities houses extend client services

By Robert Cottrell in Tokyo

JAPANESE Securities Houses are to offer customer services through local bank branches, under two schemes announced yesterday.

Fourteen leading Japanese securities are to provide remittance services via 69 "sogo" banks which are small mutually-owned local savings-and-loan institutions.

Clients will be able to receive stock dividends and bond interest payments over-the-counter at their local bank. The system will be managed by a central, computer linking the banks and securities houses through the data communication system of the state-owned Nippon Telegraph.

Separately, Yamaichi Securities, one of Japan's four largest securities houses, said it would also be offering a remittance service through 63 regional Japanese banks, using existing data circuits.

Porsche sees higher profits

PORSCHE, the West German sports car maker, expects improved profits this year despite the affects of the metal-workers' strike.

The company puts the cost of the strike at DM 35m ($12.3m) following a loss of turnover running to around DM 300m. It said the settlement with the metalworkers' union would add 7½ per cent to the annual wage bill.

On sales of DM 2.1bn, Porsche made net profits for last year of DM 69.5m.

Prior to the industrial dispute, Porsche had forecast current year sales of DM 2.5bn.

Norway aluminium deal considered

BY OUR OSLO CORRESPONDENT

NORSK Hydro and Aardal og Sunndal, two of Norway's largest industrial groups, are in talks about co-operation in order to strengthen aluminium sales abroad.

It is understood that one solution would be to make Aardal of Sunndal, which is state owned, a subsidiary of Norsk Hydro, in which the state owns 51 per cent of the shares.

The Minister of Industry, Mr Jan P. Syse, confirmed that informal negotiations were taking place. "I'm very interested in a solution which would have positive effects on the aluminium industry," he said.

Norsk Hydro is the country's largest industrial group, heavily involved in oil and gas activities, fertilisers and aluminium. It has annual turnover of about NKr 30bn ($4bn).

Ardal og Sunndal is the country's largest aluminium producer, with an annual sales close to NKr 5bn. The two groups produce primary aluminium goods as well as semi-finished and finished goods.

It is believed that whatever form the co-operation between the two eventually takes it will get a strong backing from the government.

Having increased profits and dividend for 1983, Norsk Hydro has continued to push ahead fast during the current 12 months. Last year Ardal of Sunndal clawed its way out of the red.

Net profits at Norsk Hydro rose to NKr 1.15bn last year and shareholders received a dividend of 16 per cent, two points more than for 1982. Aardal og Sunndal was forecast to turn a loss of NKr 545m into a small profit for 1983.

● Pechiney, the state-owned metals group, said yesterday that, due to the depressed market for aluminium, it is to reduce temporarily production capacity in Europe by 70,000 tons, or more than 10 per cent.

The group is Europe's leading aluminium producer and third-largest in the world.

The move follows a decision by the German company Kaiser to trim output by 41,730 tons while Alcoa recently announced a cut of 94,000 tons in capacity.

Pechiney has a 670,000 tons capacity at its smelting plants in France, Holland and Greece. It said it has not yet decided on where the capacity cuts would be made.

German group may enter the bidding for Richier

BY DAVID MARSH IN PARIS

THE FRENCH government's efforts to find industrial buyers for the country's No 2 construction equipment group, Richier, which went bankrupt in May, is fast resembling a poker game.

The latest candidate believed to be involved in contacts to find a solution to Richier's troubles is Orenstein und Koppel (O&K) the German excavator group.

Komatsu of Japan, Liebherr of Germany and Yumbo, the former French subsidiary of International Harvester, now taken over by its management, have also been involved in preliminary contacts with the Government.

Although government officials in Paris say they have detected an interest in Richier by Komatsu in contacts which have taken place in both Paris and Tokyo, Komatsu's Paris office said the Japanese group had no intention of taking over Richier.

Ciri, the inter-ministerial committee which deals with companies in distress, is keenly advancing a "Japanese solution" to Richier's future. It is particularly keen to find a buyer for Richier's main plant at L'Horme in the Loire, in a region which is also being hit by the bankruptcy of Creusot Loire.

Despite Komatsu's denial of being attracted by Richier, French companies in the earth-moving field still believe the Japanese group could eventually seek stronger entry into the French market via Richier's sales network.

Komatsu is seeking a distribution partner in France after severing ties with its former distributor, Equipco, in which Hitachi, another Japanese earth moving giant, has since taken a 49 per cent stake.

Ciba-Geigy expects further rise in earnings this year

BY JOHN WICKS IN ZURICH

CIBA-GEIGY, Switzerland's leading chemical concern, expects a further rise in earnings for the current year following a 25 per cent increase in group profits to SwFr 776m ($323m) in 1983.

Turnover rose by 19 per cent in the 1984 first half to SwFr 9.37bn, an increase which Ciba-Geigy attributes almost entirely to higher sales volume with only a "marginally beneficial effect" from currency fluctuation.

This is explained by the fact that the dollar did not start its steep rise against the Swiss franc until late April, and only a part of foreign billings are expressed in dollars.

The improvement in turnover is put down to the continued economic recovery in major industrialised markets, particularly the U.S. At the same time, agro-chemical sales benefited from the ending of the U.S. government's "payment-in-kind" crop reduction programme.

Sales of the agro-chemical division jumped by 35 per cent to SwFr 3.09bn in the half year. Pharmaceuticals rose by 12 per cent to SwFr 2.43bn.

Elsewhere, the plastics and additives division showed a 23 per cent increase to SwFr 1.76bn and dyestuffs and chemicals sales improved 8 per cent to SwFr 1.21bn.

Among the smaller divisions, Airwick turnover was maintained at SwFr 355m, the electronic equipment booked a 16 per cent improvement to SwFr 286m and sales of the British-based Ilford subsidiary went up 10 per cent to SwFr 238m.

The company say that growth is likely to be slower during the current six months. However, given continuing economic recovery and stable currency conditions it should still be "appreciable."

Economic Diary

MONDAY: Retail sales (June-provisional). Judgment in civil service unions challenge over GCHQ union ban. Commons debates Gower report.
TUESDAY: Public sector borrowing requirement (June). Abbey National Building Society to announce mortgage rate. Sir Geoffrey Howe addresses dinner of the Trade Policy Research Centre at the Waldorf Hotel, London.
WEDNESDAY: Cyclical indicators for UK economy (May). Industrial and commercial companies capital account and net borrowing requirement (first quarter). Average earnings indices; employment, hours and unit wage costs (May-provisional). British Telecom publish annual report. EEC ministers meet in Brussels on the 1985 budget.
THURSDAY: Preliminary estimate of consumers' expenditure (second quarter). Institutional investment (first quarter). UK banks assets and liabilities and the money stock (mid-June). London sterling certificates of deposit (June).
FRIDAY: Sales and orders in the engineering industries (April).

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hill Samuel	§12 %
Allied Irish Bank	12 %	C. Hoare & Co.	†12 %
Amro Bank	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Limited	12 %	Knowsley & Co. Ltd.	12½%
Associates Cap. Corp.	10 %	Lloyds Bank	12 %
Banco de Bilbao	12 %	Mallinhall Limited	12 %
Bank Hapoalim BM	12 %	Edward Manson & Co.	13 %
BCCI	12 %	Meghraj and Sons Ltd.	12 %
Bank of Ireland	12 %	Midland Bank	12 %
Bank of Cyprus	12 %	■ Morgan Grenfell	12 %
Bank of India	10 %	National Bk. of Kuwait	12 %
Bank of Scotland	12 %	National Girobank	12 %
Banque Belge Ltd.	12 %	National Westminster	12 %
Barclays Bank	12 %	Norwich Gen. Tst.	12 %
Beneficial Trust Ltd.	13 %	People's Tst. & Sv. Ltd	10 %
Bremar Holdings Ltd.	10 %	R. Raphael & Sons	12 %
Brit. Bank of Mid. East	12 %	P. S. Refson & Co.	12 %
■ Brown Shipley	12 %	Roxburghe Guarantee	12½%
CL Bank Nederland	12 %	Royal Trust Co. Canada	10 %
Canada Permn't Trust	12 %	■ J Henry Schroder Wagg	12 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	TCB	12 %
Choulartons	12½%	Trustee Savings Bank	12 %
Citibank NA	12 %	United Bank of Kuwait	12 %
Citibank Savings	¶ 9⅞%	United Mizrahi Bank	12 %
Clydesdale Bank	12 %	Volkskas Limited	12 %
C. E. Coates & Co. Ltd.	12½%	Westpac Banking Corp.	12 %
Comm. Bk. N. East	12 %	Whiteaway Laidlaw	12½%
Consolidated Credits	12 %	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Dunbar & Co. Ltd.	12 %		
Duncan Lawrie	12 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
■ Robert Fleming & Co.	12 %		
Robert Fraser	12½%		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		

■ Member of the Accepting Houses Committee.
* 7-day deposits 8.75%. 1-month 9.50%. Fixed rate 12 months £2,500 10.75% £10,000, 12 months 11%.
† 7 day deposits on sums of under £10,000 8¾%. £10,000 up to £50,000 9¼%. £50,000 and over 10%.
‡ Call deposits £1,000 and over 8¾%.
‖ 21-day deposits over £1,000 9¾%.
§ Demand deposits 8¾%.
¶ Mortgage base rate.

WORLD STOCK MARKETS

NEW YORK

WALL STREET

Rally on oversold condition

STOCKS ADVANCED in early trading on Wall Street yesterday, propelled by an oversold technical condition and firmness in the Bond Market.

After advancing more than 7½ points to 1,112.30, the Dow Jones Industrial Average settled at 1,108.66 by 1 pm, a rise of 4.09 on the day and reducing its loss on the week to 13.91. The NYSE All Common Index, at $87.11, gained 47 cents on the day but was still off 79 cents on the week. Overall, advancing issues led losers by about a seven-to-five majority in a volume of 60.57m shares.

News that economic growth remains under control also helped stock prices improve moderately.

Ralston Purina led the active list, down $1½ to $27¾ because of a negative analyst report.

ITT shed $¾ to $22⅞ following a sharp drop earlier this week.

St Regis declined $2¾ to $43¾ — investors were disappointed that Australian publisher Rupert Murdoch has not yet made a tender offer for the company — Murdoch said in a filing yesterday that he is still considering an offer for St Regis. Also, Time Inc and Temple-Inland late Thursday denied any interest in St Regis, quashing two of the most prevalent rumours.

G. D. Searle rose $2¾ to $44 after a delayed opening — the company attributed the gains to profits up $38.4m in the second quarter from $23.1m last year.

Pennzoil improved $1¼ to $32¾ — it said it might repurchase up to 5 per cent of its own shares.

Long Island Lighting fell $¼ to $4½ — some workers at the company are on strike.

IBM were up $¾ to $105¼.

Teledyne were lifted $2 to $224 on its sharply higher earnings.

Unocal Corp jumped $5⅞ to $36¼ on 330,000 shares following takeover rumours. Traders said there is a rumour that Standard Oil Co of Indiana, or Mesa Petroleum, might be interested in Unocal, which is the old Union Oil Co of California.

THE AMERICAN S.E. Market Value Index regained 0.20 to 193.12, reducing its loss on the week to 4.10. Volume 3.36m shares.

CANADA

Stocks were fractionally higher at midsession, when Golds continued to lead advances, but losses developed in Real Estate, Merchandising and Metal issues.

The Toronto Composite Index rose 0.4 to 2,176.0, while the Gold Share Index moved up 80.8 to 3,956.3. But Metals and Minerals shed 7.9 to 1760.1 and Oil and Gas eased 4.5 to 3031.8.

Topping actives, Dome Petroleum increased 10 cents to $2.35, pulling up slightly from its severe decline of the past two weeks.

Victoria and Grey Trustco were up $¼ to $13¾, resuming after a halt to anounce its merger Agreement with National Trust.

AUSTRALIA

Stock Markets ignored weaker trends in overseas markets and prices pushed higher in active trading.

The All Ordinaries Index finished up 3.3 at 669.0.

Dealers said markets were encouraged by higher Metal prices in London and the strength of the U.S. dollar, which boosts earnings for Australian exporters, who get paid in U.S. dollars.

Metal Minings led the rally, and the Metals and Minerals Index rose 4.4 to 416.9. The All Resources Index was boosted by gains in selected Oil and Gas stocks, and it finished at 450.9, up 3.5. The All Industrials Index put on 2.7 to 949.2.

Brokers said an afternoon rally in Hong Kong Gold prices gave Australian Gold Mines a boost. Gold Mines of Kalgoorlie improved 20 cents to $A8.80.

Carlton and United Breweries (CUB), Australia's biggest Brewing company, was delisted Friday as a result of the successful takeover earlier this year by Elders IXL.

There were no new developments in the other major takeover situations in Australia: Castlemaine Tooheys, which is bidding for Nicholas Kiwi, shed 8 cents to $A4.25 and Nicholas Kiwi firmed 2 cents to $A4.15.

North Broken Hill Holdings held unchanged at $A2.10, while its takeover target, EZ Industries, also held unchanged, at $A6.

Elsewhere, Properties were firm. Oil and Gas shares higher and Media issues were mixed.

TOKYO

Share prices tumbled across the board in thin trading, but closed slightly above day's low.

Continued selling pressure, triggered by the fall on Wall Street Thursday, and concern over a further rise in U.S. interest rates accelerated the downturn.

The Nikkei-Dow Market Average, which fell 84.72 Thursday, dropped a further 115.06 to 10,154.10, for a loss of 254.34 from last Saturday's half-day close of 10,408.44. Volume 250m (330m) shares.

Blue Chips, "High-priced" shares, Precision Instruments, "Large-capitalisation" issues, "Low- and Medium-priced" Basic Materials, Light Electricals, Textiles, Foods, Minings, most Drugs, Machineries and Autos joined the fall.

Fisheries, a segment of Drugs and stocks which "can't be bought on margin," provided a few firm spots.

Akai Electric lost Y16 to 392—it trimmed its sales forecast for the current year, citing weak sales of videotape recorders in Europe, due to export restraints there.

GERMANY

Share prices staged a recovery, after steady declines all week, in what Brokers were calling a technical reaction against recent weakness.

The Commerzbank Index sprang forward 5.8 to 947.1 from its nine-month low registered Thursday.

Traders put the gains down to a slightly softer dollar against the Deutsche Mark, covering of short-positions by professional traders as well as some bargain hunting by "large" institutional investors.

After initial small gains at the opening, markets rallied more substantially toward the middle of the session to leave prices at the highest of the day by the close.

All sectors registered gains, although Machinery-maker, Store and Utility stocks' upward moves were more subdued.

In Cars, VW closed just DM 1 up at 179 after news of second quarter group net earnings were cut by DM 500m through the IG Metall strike. But Daimler were DM 6 up at 530. BMW also DM 5 higher at 367.50 and Porsche DM 7 up at 950, despite announcing strike losses of DM 35m in the current year.

In Retailers, Horten were up DM 2 at 166, ex DM 6 dividend —it announced sharply increased parent company profits of DM 36m for the year to end-February, after DM 1.6m in the previous year.

HONG KONG

Share prices dropped across the board in thin trading and the Hang Seng Index fell 17.76 to 746.02, a nine month low for the second time this week. Turnover HK$132.84m (HK$148.7m).

Brokers said that fears of an increase in the local Prime lending rate sent prices sharply lower at the opening. But as trading continued, the fall slowed due to short-covering before the weekend.

Investors were also awaiting the outcome of a scheduled Press conference by British Foreign Office Minister Richard Luce here today, which may shed some light on Hong Kong's future.

PARIS

French shares were mixed to slightly firmer, due to lower dollar and a smaller than expected overnight fall in share prices on Wall Street.

There were 64 gains, 45 losses and 25 unchanged among French shares.

Banks were slightly firmer and, in Electricals, Cit-Alcatel gained Frs 20 to 1,055. But in Hotels, Club Mediterranee lost Frs 7 to 394 while, in Foods, Beghin-Say rose Frs 7 to 268.

Dassault rose 6 per cent on reports of an impending deal to sell more Mirage 2000 jets to Egypt.

Closing prices for North America were not available for this edition.

CANADA

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

SWEDEN

HONG KONG

DENMARK

ITALY

SWITZERLAND

JAPAN

FRANCE

NETHERLANDS

SINGAPORE

AUSTRALIA

SOUTH AFRICA

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

MONTREAL Portfolio | 106.72 | 107.06 | 107.34 | 107.74 | 107.83 | 108.34

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
ITT	5,621,500	22⅞	+1⅞	Adv. Micro	863,400	29⅛	−1⅛
Gen. Elec.	1,371,700	49⅛	−⅜	Motorola	842,500	31⅛	−2
AT & T	1,172,000	17⅛	—	Nat. Semi.	840,800	11⅞	−⅜
IBM	1,076,800	104⅜	−⅞	St Regis	795,600	44⅛	+3
Petrolane	1,004,300	19¼*	+¼	Fin. Co. Am.	785,000	9⅜	+⅛

** Saturday July 7: Japan Nikkei-Dow 10,408.44, TSE 790.02.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips

The dollar lost ground in currency markets yesterday. Fresh economic data provided sufficient pause for thought and some people took the opportunity to unwind long dollar positions ahead of the weekend. A rise in U.S. retail sales suggesting a robust economy was outweighed by wholesale prices, as measured by the producer price index, showing an unchanged rate for the third consecutive month. This suggested that despite the pace of economic growth, inflation was well under control and that the Federal authorities may not feel too pressurised into pushing interest rates firmer.

The dollar slipped to DM 2.8305 from DM 2.8450 against the D-mark and SwFr 2.3990 from SwFr 2.4080. It was also weaker against the yen at Y241.50 from Y242.60 and FFr 8.7050 compared with FFr 8.7350. On Bank of England figures, the dollar's trade weighted index fell from 136.8 to 136.1.

Sterling benefited from the dollar's decline and was also underpinned by increased hopes of an early settlement to the dock strike. Its trade weighted index rose to 78.2 at the close from 77.7, having stood at 77.9 at noon and the opening. Against the dollar it rose to $1.3230-1.3240 up 1.65c from Thursday's close in London. Elsewhere it rose to DM 3.75 from DM 3.7225 against the D-mark and SwFr 3.18 compared with SwFr 3.1475. It was also higher against the yen at Y319.50 compared with Y317.25 and FFr 11.4875 from FFr 11.4150.

THE POUND SPOT AND FORWARD

July 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3135-1.3260	1.3230-1.3240	0.07-0.03c pm	0.46	0.01pm-0.04d	-0.05
Canada	1.7490-1.7580	1.7545-1.7555	par-0.11c dis	-0.38	0.47-0.58dis	-1.20
Nethlnd.	4.21-4.23¾	4.22½-4.23½	2¼-1¼c pm	5.50	5⅞-5⅞ pm	5.38
Belgium	75.70-76.30	76.05-76.20	7-2c pm	0.71	12-4 pm	0.41
Denmark	13.65½-13.72½	13.71½-13.72½	⅛ore pm-⅛ dis	0.16	1¼-¼ pm	0.22
Ireland	1.2195-1.2255	1.2230-1.2240	0.01p pm-0.09dis	-0.38	0.25-0.41dis	-1.08
W. Ger.	3.73¼-3.75½	3.74½-3.75½	2½-1½pf pm	5.20	6⅛-5⅞ pm	5.97
Portugal	195.80-202.90	197.25-201.00	10c pm-135 dis	-3.77	5-410 dis	-4.17

£ in New York (latest)

	July 13	Prev. close
Spot	$1.5915-5925	$1.5070-5080
1 month	0.07-0.03 pm	0.08-0.0 6pm
3 months	0.03-0.07 dis	0.01-0.03 dis
12 months	1.85-2.00 dis	1.80-1.85 dis

£ forward rates in U.S. cents discount.

OTHER CURRENCIES

EXCHANGE CROSS RATES

MONEY MARKETS

Rates ease

Interest rates were lower in London yesterday. Sterling showed a much better performance after its recent fall to record levels and there was speculation of an early cut to the dock strike. The dollar's weaker trend also helped. Three-month interbank money was quoted at 12¼-12⅛ per cent, unchanged from Thursday although in afternoon trading for Monday settlement, the rate dipped to 11⅞-11¾ per cent from 11¾ per cent. Weekend interbank money opened at 12-12½ per cent and touched a high of 13 per cent before slipping away later in the day with late quotations of 11 per cent.

An increase in bids for the £100m of Treasury bills on offer at yesterday's weekly tender may have reflected a slight return of confidence with applications totalling £581.8m up from £370.27m the previous week. The minimum accepted bid was £97.15, met at that level as to about 55 per cent and above in full. All bills offered were allotted. The average rate of discount rose to 11.3968 per cent from 9.8082 per cent its highest level for two years. Next week a further £100m will be on offer, replacing a similar amount of maturities.

UK clearing banks' base lending rate 12 per cent (since July 12-13)

The Bank of England forecast a shortage of around £250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £255m and a rise in the note circulation of £345m. In addition banks brought forward balances £25m below target. These were partly offset by Exchequer transactions adding £250m.

The Bank gave assistance in the morning of £14m through purchases of £7m of eligible bank bills in band 1 up to 14 days at 12 per cent and £13m in band 2 (15-33 days) at 11⅞ per cent. It also arranged sale and repurchase agreements on £50m of bills at 12 per cent, unwinding on Monday. Assistance in the afternoon came to £40m and comprised purchases of £29m of eligible banks bills in band 2 at 11¾ per cent and £11m in band 4 (64-91 days) at 11⅝ per cent. It also provided late assistance of £90m, making a total of £244m.

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. July 13)

Three months U.S. dollars

bid 11 7/8 offer 12

Six months U.S. dollars

bid 12 5/16 offer 12 11/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing rates)

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

	Latest	Ch'nge on week	Year ago	1984 High	1984 Low
Gas Oil Fut. Aug.	$231	-7.5	$259.75	$267.75	$250.25
Jute UJA BWC grade				3515	$485
Rubber kilo	70p	+9	81p	91p	58.50p
Sago Pearl	£316x	—		£315	£285
Sisal No. 5L	$870x	—	$646	$670	$630
Sugar (Raw)	£94.5x	-1.25	£161.6	£157	£95.6
Tapioca No. 1	£320x	—		£320	£295
Tea (quality) kilo	280p	-6		576p	282p
(low med) kilo	196p	—		270p	196p
Wooltops 64s Super	470p kilo	+1	382p kilo	477p kilo	458p kl

‡ Unquoted. (g) Madagascar. § Ghana cocoa. (w) Aug. (u) Sept. (x) July-August. (y) Nov.

REVIEW OF THE WEEK

Producer cuts halt aluminium price fall

BY OUR COMMODITIES STAFF

Aluminium prices rallied further on the London Metal Exchange yesterday following news that another European producer, Vereinigte Aluminium-Werke (VAW) of West Germany, plans to cut smelter production in the fourth quarter. Earlier Pechiney had announced it was reducing output in Europe, in line with U.S. cutbacks, to help halt the rise in world stocks.

Earlier in the week news that world aluminium stocks had increased again in May had driven the aluminium cash price to £865.5—its lowest level since March 1983. The market then rallied to close at £891.5 a tonne, £7 up on a week ago.

Copper moved steadily higher, shrugging off the early collapse in the gold market; U.S. producer price cuts; and fears of higher interest rates. Reports of Chinese buying and a further decline in warehouse stocks pushed the cash price up by £33 on the week to £1,014.5 a tonne.

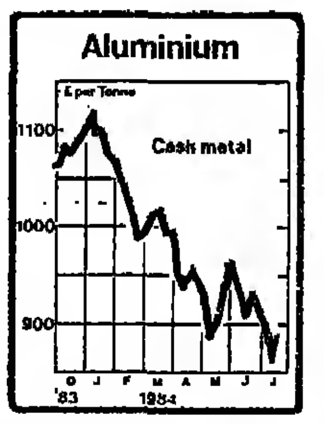
Cash lead rose by £20 to £376 a tonne, boosted by Minerl Peru declaring force majeure on shipments because of a prolonged strike. Zinc values, however, fluctuated wildly before ending the week on an easier note. Metallgesellschaft, the West German smelters, initiated a further cut in the European zinc producer price from $1,040 to $990 a tonne. Other smelters quickly followed and yesterday Cominco and Noranda, of Canada, also fell into line.

Cocoa prices fell back sharply yesterday, in spite of encouraging news that U.S. grindings — a measure of consumption — rose by 1.6 per cent in the second quarter this year compared with 1983. Earlier higher-than-expected grindings figures were announced by UK, up 20.5 per cent, and West Germany, up 18.4 per cent. Some of the rise in grindings is attributed to reduced bean processing in producing countries, but there is an underlying upward trend in consumption. Nevertheless speculators greeted the U.S. grind figure as an opportunity to take profits. The September position closed £33 down at £1,777.5 a tonne.

Conversely on the world sugar market values ended the week on a firmer note, in spite of Brazil announcing it would step up exports next year following the failure to negotiate a new International Sugar Agreement in Geneva last month.

The market dropped to the lowest level (in dollar terms) since 1971 on Thursday, after having recovered earlier in the week. Yesterday's rally brought the October position on futures market back up to $136.6 a tonne, slightly more than a week ago.

Natural rubber moved up sharply this week, with the London No 1 RSS quotation gaining 9p to 70p a kilo. The decline in the value of sterling was partly responsible. So was a rise in the Far East as a result of Chinese and Japanese buying.



BASE METALS

COPPER

Amalgamated Metal Trading reported that in the morning Three months Higher Grade traded at £1,030, 29.5, 30, 29, 29.5, 29, cash £1,101.5, three months £1,029.5. Kerb: Higher Grade Three months £1,029.3, 28, 27.5, 27. Afternoon: Higher Grade Three months £1,029, 29.5, 30, 31, 31.5, 32, 31, 31.5, 32, 31, 30, 31, 32, 32.5, 33. Cathodes Three months £1,034. Kerb: Higher Grade: Three months £1,033, 34, 35, 34, 34.5, 35. Turnover: 36,175 tonnes. U.S. Producers: 62-67 cents a pound.

COPPER	a.m. Official	+ or —	p.m. Unofficial	— or
High Grde	£	£	£	£
Cash	1011-2	+5.25	1014-5	-5
3 months	1029-.5	+4.75	1038.5-3	-5
Settlem't	1012	-6	—	
Cathodes				
Cash	1015-7	-12	1014-6	-6
3 months	1030-3	-14.5	1034-5	-2.75
Settlem't	1017-12	-12	—	

TIN

Tin — Morning: Standard: Three months £9,390, 385, 80, 75, 70. High Grade: Three months £9,450. Kerb: Standard: Three months £9,370, 65. High Grade: Three months £9,440. Afternoon: Standard: Three months £9,360, 65, 70, 75, 80. Kerb: Standard: Three months £9,375, 70. High Grade, Three months £9,430. Turnover, 2,985 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	629-30	-3	625.5-6.5	-11.7
3 months	639.5-40	2	655.5-6	-7
Settlem't	630	4	..	..

ALUMINIUM

Aluminium—Morning: Three months £914, 13, 14, 13.5, cash £888.50, three months £913, 12.5, 12. Kerb: Three months £912, 11, 10, 09, 08, 01, 08. Afternoon: Three months £910, 09, 10, 11, 12, 13, 14, 15, 14, 14.5, 14, 13, 14. Kerb: Three months £915, 16, 17, 17.5, 17, 16, 17.5, 18, 18.5, 19. Turnover 30,700 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	888.5-9	+6.6	891-2	-11.5
3 months	912-.5	-5.75	914-5	-10.2

NICKEL

Nickel — Morning: Three months £3,610, cash £3,520, three months £3,610, 15, 18. Kerb: Three months £3,615. Afternoon: Three months £3,610, 15, 17, 18, 15. Kerb: Three months £3,615, 10. Turnover, 720 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	3520-5		3515-25	-15
3 months	3618-20	-11.5	3605-15	-7.5

SILVER

LEAD

ZINC

COCOA

COFFEE

GRAINS

SUGAR

PIGMEAT

RUBBER

POTATOES

INDICES

LONDON OIL

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.60-27.75	-.08
Dubai Fateh	27.50-27.60	-.1
Arab Heavy	26.65-26.70	-.08
North Sea (Forties)	28.40-28.50	-.12
North Sea (Brent)	28.25-28.65	-.15
African (BonnyLi'ht)	28.50-28.56	-.08
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	965-971	-1
Gas Oil	227-230	-2.0
Heavy fuel oil	176-179	—

GAS OIL FUTURES

After opening a dollar lower in line with New York, the gas oil market was quiet for most of the morning until aggressive trade selling pushed the market to new lows. New York opened slightly stronger than expected and London moved a shade higher on thin volume, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
July	226.95	-3.25	223.50-21.25
Aug.	231.00	-2.56	233.00-30.25
Sept.	235.50	-2.00	236.75-34.25
Oct.	239.25	-2.25	246.75-30.25
Nov.	241.50	-2.50	246.75-41.50
Dec.	244.50	-9.50	245.50-44.00
Jan.	244.00	-9.25	247.50-44.66
Feb.	242.50	-1.50	—
March	241.00	-9.00	—

Turnover: 1,824 (1,324) lots of 100 tonnes.

GOLD MARKETS

Gold rose $2¼ an ounce from Thursday's close in the London bullion market yesterday to finish at $344¼-345. The metal opened at $342-342½ and traded between a low of $341-341½ and a high of $347-347½. Short covering after the opening of New York assisted the firmer trend with increased demand ahead of the weekend also reflecting the dollar's weaker trend.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
July	—	—	—
Aug	346.50-47.00	+3.60	348.50-42.50
Oct	352.30-53.00	+3.50	363.00-50.10
Dec	360.00-50.70	+3.50	358.40-58.50
Feb.	301.50-68.00	+3.55	—
April	374.50-15.50	+3.40	—

Turnover: 372 (450) lots of 100 troy ounces.

Gold Bullion (fine ounce) — July 13 / July 12

Gold and Platinum Coins July 13

AMERICAN MARKETS

NEW YORK, July 13

Precious metals rallied strongly with the currencies but gave up some of the early gains on speculative selling, reports Heinold Commodities. Copper prices were very strong on short-covering and heavy arbitrage buying. Selective bargain hunting and technically orientated buying triggered short-covering in aluminium and carried prices sharply higher. Sugar prices were marginally higher in very light trading as the market focused on prospects of favourable yields for the new crop, the firmness was provided solely by arbitrage activity. Cotton prices were sharply lower as widely scattered precipitation has entered the main producing areas in the South West. Cocoa prices came under heavy pressure following a disappointing grind figure for the U.S. Coffee prices advanced moderately on profit-taking but renewed local and professional selling pressure left the market virtually unchanged.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	54.50	53.50	53.50	53.13
August	54.60	—	—	53.50
Sept	55.40	55.55	54.20	54.10
Dec	57.05	57.00	56.00	55.75
Jan	57.65	—	—	56.35
March	58.90	—	—	57.50
May	59.95	—	—	58.55
July	61.10	—	—	59.80
Sept	62.25	—	—	60.05

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	744.7	758.0	742.5	723.5
August	748.5	—	—	733.6
Sept	756.0	772.0	751.0	741.0
Dec	779.0	794.0	774.0	763.0
Jan	787.0	788.0	787.0	771.2
March	803.2	812.0	801.0	787.6
May	820.6	830.0	814.0	805.0
July	838.6	841.0	839.0	822.8
Sept	858.1	866.0	856.1	842.1
Dec	888.8	902.0	887.0	873.5

SUGAR WORLD "11"

COCOA

COFFEE "C"

COPPER

COTTON

CRUDE OIL (LIGHT)

GOLD

HEATING OIL

ORANGE JUICE

PLATINUM

CHICAGO

LIVE CATTLE

LIVE HOGS

MAIZE

PORK BELLIES

SOYABEANS

SOYABEAN MEAL

SOYABEAN OIL

WHEAT

LONDON STOCK EXCHANGE

MARKET REPORT

Markets calmer as sterling rallies—Gilts steadier but 30-share index closes 48.6 down on the week

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

A traumatic week in London financial markets ended on a calmer note yesterday. Nevertheless, conditions remained extremely sensitive with dealers only too glad to close their books on a trading Account which saw equity values plummet in the face of dearer credit and labour problems.

A distinctly better trend in sterling yesterday and a more hopeful outlook on the docks dispute encouraged dealers to open leading shares higher, but quotations drifted back on the lack of any worthwhile follow-through support.

A subsequent rally following the announcement of a formula aimed at ending the dock strike, however, left quotations little altered on the day. Measuring the day's fluctuations, the Financial Times Industrial Ordinary share index, up 5.3 at the first calculation, drifted back to show a loss of 7.3 at 1 pm before closing only 0.4 down on the day at 770.7 for a fall of 62.8 over the last six trading sessions.

Consumer shares, particularly Stores, remained under a cloud and soon ran into selling following confirmation of a sharp increase in the mortgage rate to 12½ per cent. Index constituent, Thorn EMI, partly reflecting the current weakness in consumer issues, tumbled afresh to 448p before settling 10 lower on balance at 463p following comment on the preliminary figures and the proposed Inmos deal.

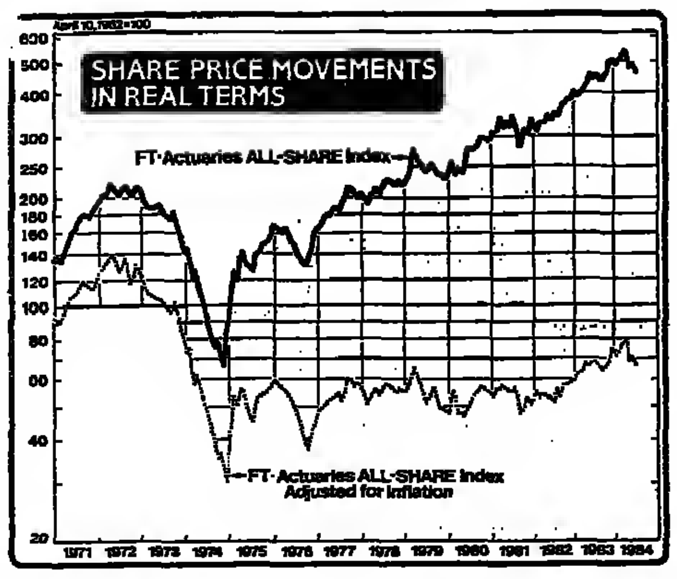
Government securities also took heart from sterling's recovery against the dollar and most other European currencies. This resulted in easier money market rates and Gilts improved quietly throughout the day on occasional buying interest. Short-dated issues recorded gains of around ⅛ and sometimes more, while rises at the long end of the market ranged to ¼. Trading conditions were relatively quiet, but interest was enlivened in the late afternoon when a good demand enabled the Government broker to sell the £300m tranche of Treasury 11½ per cent 2001-04 at 102¼. The Government securities index recorded a small improvement of 0.30 at 76.74. On the week, however, the index showed a loss of 1.05.

Phoenix easier

Conditions were somewhat quieter in the Composite Insurance sector after Thursday's bout of speculative activity which followed Sun Alliance's agreed 650p per share cash offer for Phoenix. Having soared 143 immediately on the offer, Phoenix retreated 6 to 620p, after 618p, on sporadic profit-taking and vague suggestions that the bid could be referred to the Monopolies Commission; SA rallied 4 at 347p. Commercial Union, long-rumoured to be on the shopping list of Allianz, touched 218p initially before closing 3 cheaper on balance at 213p. General Accident, on the other hand, put on 4 to 442p and Royals added 12 at 462p. Elsewhere, Sun Life, also well supported of late on bid hopes, relinquished 10 to 630p following the half-year new life business figures.

Continuing to respond to the increasing lending rates, the major clearing banks made further modest progress. Barclays, however, retreated from an initial firm level of 468p to close 7 lower at 460p. NatWest put on 6 to 608p and Lloyds improved a few pence to 430p. Midland, additionally helped by the revelation that its troubled U.S. subsidiary, Crocker National, had returned to profitability in the second quarter, closed a penny higher on balance at 318p, after 320p. News of Midland's plan to acquire the 43 per cent minority interest in Crocker came well after market hours.

The 2½ per cent rise in mortgage rates came as no surprise to Buildings and some issues, including the major housebuilders, managed to improve on the recently depressed levels. Barratt Developments rallied 4 to 90p and George Wimpey improved 3 to 102p. William Leech shares were given an initial boost by news of the appointment of Morgan Grenfell as advisers to the William Leech Foundation which controls nearly 30 per cent of the company; the shares touched 121p before drifting back to close without alteration at 118p. C. H. Beazer's rigorously opposed 145p per share cash bid for Leech closes next Friday. Beazer slipped 6 to 310p. Magnet and Southerns, down 20 on Thursday after disappointing results, staged a minor rally and closed 4 better at 114p, after 116p.



After fluctuating narrowly around the overnight level of 535p, ICI turned dull reflecting the shares early performance on Wall Street and the close was a net 6 down at a 1984 low of 532p, making a fall on the week of 26.

Stores erratic

One of the more depressed sectors this week reflecting persistent worries about future levels of consumer spending, major Retailers opened on a firm footing as dealers marked prices higher; the rally proved short-lived however, as confirmation of the 2½ per cent mortgage rate increase prompted fresh selling. Thereafter, another lively and volatile trade developed before prices steadied towards the close although most still recorded substantial losses over the week. Woolworth fared relatively well, rising 13 to 423p—but remained down 45 over the last five sessions. House of Fraser firmed 6 to 232p, but Burton, up to 220p at the outset, finished 4 off on the day and 41 lower on the week at 214p.

Improved demand was evident in secondary Stores, mainly attributable to "cheap" buyers. Harris Queensway rallied from 130p to close 2 dearer on balance at 135p for this reason, while J. Hepworth also finished off the bottom at 248p.

Thorn EMI remained a depressed market in Electricals, dropping to 448p at one stage before closing a further 10 down and 60 lower on the week at 463p following comment on the results and the proposed £95m acquisition of Inmos. The trend elsewhere in the leaders was fairly volatile sentiment being unsettled by British Telecom's decision to search for an alternative to System X, the British digital public telephone exchange made by Plessey and GEC. Plessey gave up 4 to 196p, but GEC settled at the overnight level of 180p. Further consideration of the poor results left Oceonics 30 down at 120p, after 110p. Burdened of late by Hong Kong worries, Cable and Wireless rallied 5 to 275p and BSR picked up 8 at 163p.

Technical influences helped Engineering leaders rally in places. Vickers improved 2 to 159p, after 160p, while GKN hardened a penny to 158p, after 160p; the latter following details of a £32.6m U.S. acquisition. Hawker, however, remained on offer and fell 10 to 397p. Elsewhere, John Brown hardened a penny to 25p ahead of the results scheduled for July 24 and Davy Corporation improved a few pence to 59p in anticipation of Thursday's preliminary figures. Comment on the slowdown in second-half earnings depressed Birmid Qualcast, a further 5 lower at 87½p. Acrow A lost 1½ to 9½p; the board announced yesterday that it is seeking longer term finance from its banks in preference to the short terms support currently being made available.

Dull earlier in the week on fears of reduced consumer spending, some Food retailers staged a modest rally. J. Sainsbury improved 8 to 498p, but northern-based Associated Dairies remained under pressure and shed 4 more to 152p. Lennons' annual profits failed to match best estimates and the shares slipped a penny to 39p, but Amos Hinton, which earlier in the week confirmed a merger approach, advanced another 15 to 320p. Elsewhere, Pyke Holdings attracted revived speculative demand and moved up 28 to 250p in a restricted market.

Rowton Hotels rose 8 to 320p: the Virani/Belhaven Brewery camp has increased its stake to 18.46 per cent, while the Jersey-based Rushlake Investments, which now has boardroom representation at Rowton, has increased its holding to 29.25 per cent. Britannic Assurance has reduced its stake in Rowton to 3.28 per cent.

AB Ports recover

Hopes of a peace formula in the dock strike boosted Associated British Ports which jumped 23 to 203p. Elsewhere in miscellaneous industrials, Toye also advanced 23 to 123p on the announcement that Gomba Holdings UK had acquired a near-15 per cent stake in the company. Associated Telecommunications rose 5 to 45p following news that Mr H. A. Van Eck, a director of the company, is to increase his stake from 5 to 39.5 per cent. Unigroup attracted speculative buying and closed 7 higher at 34p.

Reed International were most active of the leaders, rising initially to 434p on news of Mr Robert Maxwell's successful £113m purchase of the Mirror group of publications, before retreating to close only 2 dearer on balance at 420p awaiting a Government statement on the deal. Rank Organisation gained 6 to 226p following comment on the interim results, while Hanson Trust added 3 to 201p.

Trident TV, which on Thursday announced the sale of its entire stake in Yorkshire Television to W. H. Smith for £8.5m, firmed 5 to 138p. Riley Leisure, on the other hand, shed 4 to 48p after adverse press comment.

Group Lotus Car gave an early fillip to Motors in announcing a small annual profit—better than most expectations—and advanced 4 to 60p. British Car Auction, which shares the same chairman as Lotus, rallied 6 to 92p. In contrast, Lex Service remained on offer and gave up 5 to record a loss on the week of 42 at 328p; the interim figures are scheduled for July 27.

Publishers continued to feature Associated Newspapers which gave further ground and closed 15 off for a two-day decline of 70 at 425p in the wake of the profits warning that accompanied the disappointing half-year figures. Daily Mail A eased 10 more to 720p. Fleet Holdings remained active, easing a couple of pence for a five-day loss of 18 at 167p reflecting fading take-over prospects in the light of events at the Mirror Group. Mr Robert Maxwell's British Printing and Communication rallied 6 to 179p.

Buyers reappeared for Properties. Land Securities firmed 4 to 271p and MEPC gained a similar amount to 281p, while Capital and Counties rose 5 to 182p and Hammerson A moved up 15 to 420p. Stock Conversion hardened a couple of pence to 332p and Slough Estates gained the turn to 125p. Haslemere Estates, however, continued to give ground in the wake of the disappointing annual results and shed 4 for a two-day fall of 20 to 466p.

Hopes of a breakthrough in the docks dispute improved sentiment among Shippings. P and O Deferred advanced 8 to 291p, while Ocean Transport, in receipt of "call" option business, rose 5 to 109p. Dealings in London and Overseas Freighters, suspended at 8p on Thursday, were resumed at 5½p following the proposed £8.6m rights issue and preliminary results.

Among Financials, Kwahu were quoted 3½ lower at 14p ex-the-rights issue: the new nil-paid closed at 2p premium.

Berkeley advance

Leading Oils recovered from an uneasy opening and closed with minor but widespread gains, boosted by bear closing. BP and Britoil ended the day with gains of around 5 at 435p and 221p respectively.

Secondary issues provided a good deal of excitement, most notably Berkeley Exploration which jumped 23 to 110p amid rumours of an oil discovery in conjunction with Petrolex, up 7 at 76p.

On the other hand Petranol attracted renewed selling and dropped 13 more to 393p leaving the shares down 112 over the week following the proposed acquisition of U.S. gas producing interests. Irish stocks remained highly nervous.

Golds up again

Mining markets ended a difficult week on a firm note. The recent turbulence throughout currency and precious metal markets abated considerably and bullion responded to short covering and moved up to touch $347 an ounce before closing a net $2.75 firmer at $344.75—a rise of $3.25 over the week.

South African Golds were much quieter than in recent days. A further weakening in the rand against the dollar encouraged widespread selling from Johannesburg but this was more than offset by good buying from Continental and London sources. Consequently, the majority of Golds made further progress and the Gold Mines index sowed a rise of 9.4 to 549.2 on both the day and the week.

South African Financials gave a positive response to the continued strength of Golds with "Amgold" moving ahead to close £1⅜ firmer at £75. De Beers were 3 to the good at 460p—only 8 easier over the week—following the half-year diamond sales figures announced last Monday.

London-domiciled Financials attracted late support owing to the rally in domestic equity markets and the much steadier performance by precious and base-metals. Consolidated Gold Fields ended 10 higher at 488p, RTZ rallied from an initial 525p to close a net 2 harder at 532p and Charter and Hampton Areas put on a couple of pence apiece to 193p and 167p respectively.

Australians improved across a broad front following the strong showing by Sydney and Melbourne markets overnight. Golds and leading diversified issues were particularly in demand with GMK 15 to the good at 425p, CRA 6 up at 288p, Western Mining 5 higher at 190p and MIM Holdings 3 better at 175p. Speculatives returned to favour and showed rises of around 3 common to Australis Mining, 20p, Carr Boyd, 48p and Samantha Exploration, 37p.

Elsewhere, Cornwall's Geevor Tin dropped 10 to 173p despite the recent record prices for tin on the London Metal Exchange.

Demand for Traded Options declined from Thursday's active level to a still encouraging 4,519 contracts. The week's daily average amounted to 5,025. The FTSE 100 recorded 550 calls and 277 puts.

FINANCIAL TIMES STOCK INDICES

	July 13	July 12	July 11	July 10	July 9	July 6	year ago
Government Secs	76.74	76.44	76.63	76.47	77.23	77.79	80.08
Fixed Interest	81.01	80.27	81.10	81.55	81.82	82.25	83.09
Industrial Ord.	770.7	771.1	788.0	793.0	811.6	819.3	683.6
Gold Mines	549.2	539.8	532.8	560.1	532.3	539.8	647.1
Ord. Div. Yield	5.15	5.11	5.04	4.99	4.86	4.84	4.71
Earnings, Yld.% (full)	11.96	11.88	11.71	11.58	11.34	11.24	9.37
P/E Ratio (net) (*)	10.05	10.12	10.26	10.38	10.60	10.70	13.30
Total bargains (Est.)	21,584	18,835	12,581	17,627	16,320	18,845	21,024
Equity turnover £m.	—	322.44	221.88	208.46	195.70	213.88	228.3
Equity bargains	—	16,800	16,708	14,302	16,737	12,851	17,113
Shares traded (ml)	—	171.9	175.1	113.7	102.7	126.8	144.5

10 am 776.4. 11 am 768.8. Noon 764.3. 1 pm 763.8. 2 pm 764.0. 3 pm 767.6.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
*Nil=9.61.

HIGHS AND LOWS

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	76.44 (12/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed. Int.	87.48 (14/5)	80.97 (12/7)	155.4 (28/11/47)	50.03 (3/1/75)
Ind. Ord.	922.8 (3/5)	770.5 (4/1)	922.8 (3/5/84)	40.4 (26/6/40)
Gold Mines	711.7 (9/3)	580.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	July 12	July 11
Daily		
Gilt Edged Bargains	153.2	175.8
Equities Bargains	108.8	101.8
Value	551.7	590.0
5-day Average		
Gilt Edged Bargains	158.0	153.5
Equities Bargains	96.9	91.7
Value	497.4	440.0

LEADERS AND LAGGARDS

Percentage changes since December 30 1983 based on Thursday July 12 1984

Insurance Brokers	+18.48	Food Manufacturing	−3.09
Tobaccos	+14.45	Overseas Traders	−3.13
Newspapers, Publishing	+12.85	Other Groups	−3.27
Office Equipment	+11.39	Capital Goods	−3.40
Brewers and Distillers	+10.69	Investment Trusts	−4.32
Insurance (Composite)	+10.11	Shipping and Transport	−5.10
Health and H'sehold Products	+8.15	Banks	−5.58
Mechanical Engineering	+8.02	Gold Mines Index	[illegible]
Motors	[illegible]	[illegible]	[illegible]
Discount Houses	+3.42	Insurance (Life)	[illegible]
Property	+1.37	Other Consumer	[illegible]
Consumer Group	+0.49	Metals and Metal Forming	−8.47
Food Retailing	+0.24	Mining Finance	−9.20
500-Share Index	−0.41	Stores	−9.34
All-Share Index	−1.19	Building Materials	−10.08
Industrial Group	−1.36	Contracting, Construction	[illegible]
Textiles	−1.80	Electricals	[illegible]
Other Industrial Materials	−1.91	Chemicals	−13.18
Packaging and Paper	−2.15	[illegible]	−13.27
Electronics	−2.27	Merchant Banks	−23.44
Financial Group	−2.30		

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5
Aug 6	Aug 17	Nov 8	Nov 19

For rate indications see end of Share Information Service.

Stocks favoured for the call included Eglinton Oil and Gas, Aran Energy, Atlantic Resources, Sound Diffusion, Lookers, Belhaven, Barratt Developments, Polly Peck, Acorn Computer, Suter, Aspinall, BP, Ocean Transport and Trading, Bryson, European Ferries and Medical Sciences. No puts were reported, although a double was taken out in Strong and Fisher.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Fri July 13 1984

[illegible]

FIXED INTEREST

[illegible]

BRITISH GOVERNMENT INDEX-LINKED STOCKS

[illegible]

† Flat yield. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.

CONSTITUENT CHANGES: Wearwell (35) has been deleted and replaced by Comfort Hotels International (29). DEBENTURE AND LOANS CHANGES: Investors in Industry 8⅞ per cent 1992-97 has been deleted and replaced by Brixton Estates 11¼ per cent 2023.

NEW HIGHS AND LOWS FOR 1984

[illegible]

RISES AND FALLS

[illegible]

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

[illegible]

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

[illegible]

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

STOCK EXCHANGE DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the five previous days is given with the relevant date.

‡ Bargains at special prices. ◆ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

STERLING ISSUES BY FOREIGN GOVERNMENTS

CORPORATION AND COUNTY

UK PUBLIC BOARDS

COMMONWEALTH GOVT.

FOREIGN STOCKS (coupons payable London)

CORPORATIONS—FOREIGN

BANKS, DISCOUNT

BREWERIES

COMMERCIAL, INDUSTRIAL

A—B

C—D

E—F

G—H

I—J—K

L—M

N—O—P

Q—R—S

T—U—V

W—Y—Z

UNIT TRUSTS

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

FINANCIAL TRUSTS

INSURANCE

INVESTMENT TRUSTS

PROPERTY

PLANTATIONS

RAILWAYS

SHIPPING

UTILITIES

WATERWORKS

UNLISTED SECURITIES MARKET

RULE 163 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

RULE 163 (2)

Applications granted for specific bargains in securities not listed on any exchange

RULE 163 (3)

Dealings for approved companies engaged solely in mineral exploration

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
B.P. (*455)	420	35	38	47	4	12	17
	460	5	20	28	87	40	50
	500	1½	2	17	66	78	88
	660	1½	5	9	115	122	128
Cons Gold (*482)	460	35	47	58	5	18	24
	500	6	28	40	27	45	50
	550	1½	14	25	75	82	85
	600	1	6	16	125	127	130
	660	1	2	8	175	177	180
Courtaulds (*111)	110	4	12	16	5	9	11
	120	2	8	11	12	14	17
	130	1	4	7	21	22	24
	140	0½	2½	4½	32	32	35
	160	0½	1	2½	50	50	50
Com. Union (*214)	140	76	—	—	0½	—	—
	160	56	60	—	0½	3	—
	180	37	41	46	0½	4	7
	200	16	28	34	5	11	18
	220	6	18	21	10	19	25
	240	2	10	—	27	26	—
G.E.C. (*178)	160	24	30	36	1	5	5
	180	7	15	22	8	10	15
	200	2	8	11	22	24	28
	280	0½	3	—	42	43	—
Grand Met. (*304)	250	55	—	—	0½	—	—
	275	31	35	—	1	5	—
	300	11	20	26	6	12	20
	330	1½	5	13	28	35	44
	360	1	2	5	58	64	70
I.C.I. (*540)	500	42	52	60	5	8	15
	550	7	24	28	15	32	38
	600	1½	5	14	64	68	74
	650	0½	3	5	114	115	118
Land Sec. (*270)	214	58	—	—	0½	—	—
	235	36	—	—	0½	—	—
	240	32	38	—	1	5	—
	257	18	—	—	2	—	—
	260	15	22	22	4	8	15
	280	3	9	15	13	18	22
	300	1½	4	8	31	34	37
Marks & Sp. (*207)	200	10	18	23	4	11	15
	220	1½	9	15	15	18	23
	240	1½	4	7	35	37	39
	260	1	2	4	55	57	58
	280	½	1½	—	75	75	—
Shell Trans. (*611)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
LASMO (*271)	260	24	37	47	8	15	20
	280	14	27	35	20	25	30
	300	9	17	27	38	42	47
	330	4	15	10	65	66	72
	360	2	8	—	95	97	—
Lonrho (*131)	120	15	18	24	2	3	4½
	130	7½	13	17	5	8	9½
	140	3½	7½	11	11	15	18
	160	1	5	8½	31	35	34
P. & O. (*288)	260	35	40	—	2	5	—
	280	18	25	32	8	13	16
	300	8	15	22	17	23	27
	330	3	6	10	45	46	49
Racal (*212)	200	23	28	34	6	9	11
	220	9	16	22	15	20	23
	240	3	7	11	30	32	34
R.T.Z. (*587)	550	60	80	48	50	44	55
	600	7	15	30	75	75	28
	650	2	9	14	125	125	127
	700	1½	5	—	175	175	—
Vaal Reefs (*$103)	100	5	12½	15½	5¾	7½	10
	110	3½	8½	10	10½	13	15
	120	2	5	7	19	21	23
	130	1	3¼	5¾	23	30	31
	140	0½	1	3	38	39½	40½

Option		Calls Sep.	Calls Dec.	Calls Mar.	Puts Sep.	Puts Dec.	Puts Mar.
Beecham (*288)	280	22	30	37	8	12	14
	300	10	22	30	18	24	36
	330	5	9	12	45	50	52
	360	2	4	—	75	78	—
Boots (*345)	300	58	—	—	2½	—	—
	330	28	38	—	7	12	—
	360	14	22	27	27	30	42
	390	6	9	15	52	55	62
De Beers (*$5.07)	600	42	65	82	27	45	58
	650	22	40	57	60	73	77
	700	12	27	—	105	110	—
	750	5	18	—	150	155	—
	800	2	10	—	200	200	—
	850	2	6	—	250	250	—
Guest Keen (*168)	160	11	15	21	10	15	16
	180	4	6	10	25	28	31
	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*202)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*157)	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index (*1024)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Barclays (*459)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gp. (*158)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 13. Total Contracts 8,512. Calls 6,655. Puts 1,857.
* Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$325	50	35	2	36 B	—	—	$345.50
GOLD C	$350	24	7.50 B	18	10.50	8	20 B	"
GOLD C	$375	16	2	80	6 B	10	18.50	"
GOLD C	$400	90	1 A	—	—	—	—	"
GOLD C	$425	5	0.50	15	2 A	—	—	"
GOLD P	$325	66	3	27	4.70	71	5	"
GOLD P	$350	9	10	128	11.50	21	15.50	"
GOLD P	$375	—	—	—	—	3	30 A	"
		Sep.		Dec.		Mar.		
SILVER C	$7	—	—	1	1.20	—	—	$7.58
SILVER C	$8	—	—	2	0.58 B	—	—	"
SILVER C	$9	—	—	5	0.85 A	2	0.60	"
S/FL C	$315	50	7	5	7.50	—	—	$319.80
S/FL C	$320	459	6 A	—	—	3	7.20	"
S/FL C	$320	1075	2.70	—	—	—	—	"
S/FL P	$285	5	0.80	—	—	—	—	"
S/FL P	$295	—	—	2	3.80	—	—	"
S/FL P	$300	5	1.30	8	5.30	—	—	"
S/FL P	$305	11	2	2	6.80	—	—	"
S/FL P	$310	53	3.70 B	1	9	—	—	"
S/FL P	$315	605	6.50	10	11.30 B	—	—	"
S/FL P	$320	154	8.50	2	15 A	—	—	"
S/FL P	$325	10	11 B	—	—	—	—	"
$ DM P	$260	—	—	15	2.50	—	—	$259.50
£/$ C	£135	10	1	—	—	—	—	£132.25
		July		Oct.		Jan.		
ABN C	F.300	15	4	2	14 B	1	18	F301
ABN P	F.300	65	4	29	16	12	21	"
AEGN C	F.130	—	—	—	—	2	3	F113.50
AEGN P	F.100	—	—	20	2	—	—	"
AH C	F.180	—	—	11	7.50 B	—	—	F178
AH P	F.180	12	3	3	8	5	6.50	"
AKZO C	F.80	—	—	494	3.50	385	5.40	F.81.80
AKZO P	F.80	327	0.70	779	3.60	215	5.60	"
AMRO C	F.55	5	1	58	5.50	25	5	F.55.20
AMRO P	F.55	54	0.70	72	3	38	4.30	"
GIST C	F.150	—	—	25	3.80	3	6.20	F.13.00
GIST P	F.140	22	1.70	42	5	—	—	"
HEIN C	F.150	37	0.30	51	5.30	9	7.70	F.135.80
HEIN P	F.120	32	0.50 A	14	3.50	2	4.50	"
HOOG C	F.53.20	—	—	95	1.70	—	—	F.47.40
HOOG P	F.48.20	97	1.20	9	2.80	—	—	"
KLM C	F.180	6	0.10	166	3.50	—	—	F.160.80
KLM P	F.180	7	21 A	47	21.50	—	—	"
NEDL C	F.120	—	—	10	3 B	19	4.50	F.106.50
NEDL P	F.110	2	3	28	7.30	—	—	"
NATN C	F.210	—	—	21	6.80	1	10	F.205
NATN P	F.190	—	—	23	6.20	—	—	"
NNO C	F.209.10	5	0.30	—	—	—	—	"
NNO P	F.209.10	—	—	20	6.30	—	—	"
PEO C	Fr.5909	7	630	—	—	—	—	Fr.6600
PE.RO	F.7500	—	—	4	85	—	—	"
PHIL C	F.50	1	0.10	315	2.30	307	2.20	F.45.50
PHIL P	F.45	85	0.40 A	161	1.30	8	2.30	"
PHO C	F.40.90	273	3.90	250	5.50	—	—	"
PHO P	F.45.50	15	0.50	5	1.90 A	—	—	"
RD C	F.150	313	1	157	57.0	46	9	F.148.60
RD P	F.140	615	0.10	61	2.70	102	3.50	"
UNIL C	F.250	16	0.30	3	7.20	3	10.50	F.252.80
UNIL P	F.240	112	0.50	27	3.50	—	—	"

TOTAL VOLUME IN CONTRACTS 19,189

A=Ask B=Bid C=Call P=Put

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

هكذا احسن الأهل

INSURANCE, OVERSEAS & MONEY FUNDS

Save & Prosper Group
4, Gt St Helens, London EC3P 3EP. 0708-66966

Global Equity Fund (z)	77.3	01.8	−1.1	—
Bal. Inv. Fd.	254.4	269.3	−2.0	—
Property Fd.*	277.9	294.1	.....	—
Gilt Fd.	213.6	226.1	−0.4	—
Deposit Fd.†	189.3	200.4	.....	—
Man. Pens. Fd.†	513.5	543.6	.....	—
Equity Pens. Fd.	484.3	511.5	−3.7	—
Prop. Pens. Fd.*	623.0	659.3	.....	—
A. G. Bond Fund (z)	64.1	67.9	−0.7	—
Dep Pen Fd†	197.7	209.3	.....	—
Gilt Pens Fd	187.0	197.9	−0.3	—
Global Eq Pens Fd	57.5	60.9	−1.0	—

*Prices on July 11. ‡Weekly dealings.

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth. 0705 827735

Equity	481.4	506.8	−1.9	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks.
Aylesbury (0296) 5941

Managed	244.1	251.0	−1.4	—
Property	233.5	245.8	.....	—
Fixed Int.	146.1	155.9	+3.4	—
UK Equity	226.6	238.0	−1.5	—
Int. Equity	196.8	207.2	−0.4	—
Deposit	135.8	143.0	.. ..	—
American Eagle	92.2	97.1	.....	—
Technology	83.3	81.7	−0.5	—
U.S. Special Bond	112.1	110.7	.....	—
Pacific	84.6	89.1	−0.9	—
Australian	100.1	106.0	+1.0	—
Japan	136.5	143.7	−1.4	—
Malaysia & S'pore	119.9	125.3	+0.5	—
Commodity	115.3	121.4	−0.4	—
Energy	80.0	64.3	−1.4	—
Gold	112.9	118.9	+2.4	—

CAL Investments (IoM) Ltd
36 St Georges Street, Douglas, IoM. 0624 20231

CAL C.C.C**	72.3	76.1	.....	—
CAL Metals*	87.0	91.6	.....	—
CAL Silver**	204.1	215.9	−1.5	—
CAL Gold**	75.9	79.9	+1.9	—
CAL Copper*	96.0	101.1	+0.6	—
CAL Aluminium**	68.0	71.6	+0.4	—

*Dealings Mon. **Dealings daily.

CAL Investments (Bermuda) Ltd
PO Box 1022, Hamilton, Bermuda. (809-29) 55950

CAL CTR Fund	56.5	62.0	.....	—

Dealing day every Monday

Capital International Fund S.A.
43 Boulevard Royal, Luxembourg

Capital Int. Fund	$30.04		.....	—

Grindlay Henderson Mngt Ltd.,
PO Box 414, St Helier, Jersey. 0534 74248

Managed Fund	£11.0848	11.6388	−0.0492	—
Managed Acc	£10.9651	11.5134	−0.0536	—
Sterling Fund	£10.0353		+0.0049	—
Sterling Acc	£10.7719		+0.0049	—
US$ Fund	$20.0770		+0.0131	—
US$ Acc	$21.6793		+0.0143	—
DM Fd	DM51.9959		+0.0062	—
Swiss Franc Acc	SF51.3254		+0.6011	—
Yen Acc	Y5,244		.....	—

GRE International Invest Mgrs Ltd
PO Box 194, St Helier, Jersey. 0534 27441

Man Cur Fund		£11.18	.....	—

Guinness Mahon Int. Fund (Guernsey)
PO Box 186, St. Peter Port, Guernsey. 0481 23506

World Wide Growth Management¢
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.		$16.61	−0.04	—

Inv. Adv.: M & G. Inv. Mngt. Ltd., London.

Wren Commodity Management Ltd.
10, St George's St. Douglas IoM. 0624 25015

Wren Com. Fund	17.8	18.9	.....	[illegible]
Chinese Fund	59.5	62.0	.....	[illegible]
Precious Metal Fund	128.9	131.9	.....	[illegible]
Vanguard Cmdy. Fd	28.5	29.9	.....	[illegible]
Financial Futures Fd.	60.5	63.0	.....	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Grth Fd		$8.56	−0.05	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice

Mallinhall Ltd
36 Berkeley Sq, W1X 5DA. 01-499 6634

M'hall Mny Fd.	11.50	12.03	Qtr	Call

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. 01-236 0952

Call Fnd.	11.64	12.00	[illegible]	Call
7-day Fnd.	9.01	9.23	[illegible]	7-day

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

Call Fnd	11.60	11.9[illegible]	[illegible]	Call
7-day Fund	[illegible]	[illegible]	[illegible]	7-day
Money Mngt. Acct.	11.50	12.0[illegible]	[illegible]	1-day
Dollar	[illegible]	9.87	[illegible]	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	[illegible]	Treas 12pc 1984	100	+	12.00	10.96
[illegible]	101	Treas. 15pc 1985	101	+	14.72	11.53
[illegible]	100	Exch. 12pc Cm. '85	100	+	11.98	11.58
[illegible]	[illegible]	Treas. 3pc 1985	93	...	3.20	11.04
100	[illegible]	Treas 11½pc 1985	99	+	11.55	11.80
[illegible]	[illegible]	Treas 8½pc Cnv '85	95	+	9.06	12.05
[illegible]	100	Exch. 12½pc 1985	100	−	12.23	12.05
[illegible]	99	Exch. 11½pc '86	99	+	11.80	12.21
[illegible]	[illegible]	Treas. 10pc Cnv 1986	96	+	10.30	12.44
[illegible]	[illegible]	Treas 3pc 1986	89	...	3.34	9.03
[illegible]	[illegible]	Exch. 10½pc Cv '86	97	+	10.80	12.16
[illegible]	[illegible]	Treas 12pc 1986	99	+	12.04	12.15
[illegible]	[illegible]	Treas 8½pc 1984-86‡‡	94	+	9.04	11.98
109	102	Exch. 14pc 1986	103	+	13.56	12.66
[illegible]	85	Exch. 2½pc 1986	85	−	2.93	9.54
[illegible]	101	Exch. 13¼pc 1987	101	+	13.03	12.43
[illegible]	94	Treas 10¼pc Cv '87	95	+	10.77	12.50
[illegible]	83	Exch 2½pc 1987	83	−	3.00	9.83
[illegible]	95	Exch. 10½pc 1987	95	+	11.02	12.58
[illegible]	87	Funding 6½pc '85-87‡‡	87	−	7.45	11.98
[illegible]	[illegible]	Treas. 10pc 1987	93	+	10.65	12.53
85	81	Treas 3pc 1987	82	...	3.63	9.94
105	[illegible]	Treas. 12pc 1987	98	+	12.21	12.58
[illegible]	88	Treas 7¾pc 1985-88‡‡	88	+	8.80	11.98
100	93	Exch 10½pc '88	93	+	11.18	12.52
[illegible]	90	Treas 9½pc Cv '88	91	+	10.67	12.59
[illegible]	77	Transport 3pc '78-88	78	+	3.82	9.77
[illegible]	[illegible]	Treas. 9½pc '88	89	+	10.58	12.63
[illegible]	95	Treas 11½pc 1989	96	+	11.9	12.62
[illegible]	[illegible]	Treas 9½pc Cnv. '89	89	+	10.6	12.51
[illegible]	[illegible]	Treas 10½pc 1989	92	+	11.37	12.62

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
45	37	Macfellan 20p	38		1.4	2.1	6.2	(8.8)
138	44½	Macpherson (D.)	138		♦2.25	8.1	2.3	—
*64	45	Magnolia Group	45		2.5	3.2	7.9	4.4
64	42	‡Malonest Hldgs 10p	42		—	—	—	44.7
270	157	Man. Ship Can. £1	272		5.5	3.5	3.7	10.9
95	66	Marley	66		3.2	2.1	6.9	9.2
58½	40	Marling Ind. 10p	55½		1.3	♦	3.4	♦
46	29	Marshall L'xy. 'A'	30		1.2	3.6	5.7	(5.4)
*54	37	Marshall's Univ	42xr		♦H1.75	—	6.0	12.6
30	20	Martin-Black	22¢		—	—	—	—
£108	£88	‡Mathesons 7¾%	£98		Q7¾%	2.3	f8.2	—
378	292	Metal Box £1	294	+2	15.0	3.0	7.3	5.0
220	129	Metal Closures	152	−2	6.5	♦	5.9	♦
27	13	‡Metal Sciences 2½p	16	+1	—	—	—	—
19	8	Metamec Jentique	10½		0.01	—	—	—
133	83	‡Midland Marts	83		4.0	♦	6.9	♦
64½	45	Mitchell Cotts	51½	−½	3.62	1.0	8.9	(15.4)
29	14	Moben Grp 1p	14		0.5	2.5	5.1	(8.8)
168	132	Morgan Crucible	152	−1	7.5	1.2	7.0	(15.4)
18	15½	‡Morris (W) Fine Arts	15		bg0.25	4.0	2.4	15.7
*95	80	Moss (Robt.) 10p	88xr	+3	2.5	2.9	4.1	10.7
330	197	‡NMW Computers	275	−8	6.0	3.0	3.1	15.5
65	47	Nash Inds.	47		4.0	2.2	12.6	5.5
47	30	Neill&Sp'ncer10p	30		—	—	—	12.9
70	45	New Equip 10p	70		♦1.15	6.5	2.3	9.4
33	16	Newman Industs	17	−1	—	—	—	(9.6)
31	16½	Do. 10pc Cm. Cnv. Pf.	18½		10%	—	7.7	—
67	43½	Nolton	53		1.0	2.9	2.7	18.6
175	137	Norcros	137	−2	7.5	2.4	8.1	7.0
86	59	Nu-Swift 5p	59	−3	—	—	—	11.5
100	50	Oakwood Grp	50		‡d6.5	—	‡	—
190	145	Office & Elect.	170		7.5	2.8	6.3	7.6
875	700	Oriflame Intl SA	800		Q53c	2.2	4.5	10.0
46	32	Ovenstone 12½c	32	−2	Q4.5c	2.2	7.4	6.2
£146	£120	Ozalid Fin. Cv.	£124	−2½	Q9%	—	(7.3	—
190	157	‡PCT Grp 10p	165		bg4.8	♦	4.1	♦
207	162	Parker Knoll 'A'	164	+2	8.5	3.0	7.4	6.1

INSURANCES

LEISURE

LEISURE—Continued

1984 High	Low	Stock	Price	+ or −
158	98	Magnt. Ag. M. 10p	125	
115	76	Mediminster 10p	78	
171	138	‡Miss World 10p	160	
24½	13	‡Nationwide Leis.	15	
38	10	‡Nimslo Int 20c	11	
145	112	Norton Opax 10p	135	
		For Our Price see Stores		
31½	15½	‡Owners Abroad	15½	−1
66	35	Photax (Lon.)	40	
130	73	‡Pineapple Dnc St 10p	75	−2
420	285	Pleasurama 5p	310	
158	80	‡Radio City 'A' NV	80	
70	57	‡Radio Clyde N/V	58	+1
148	48	Riley Leisure 10p	48	−4
118	95	Saga Hols. 20p	95	
390	290	Samuelson Grp £1	310	
27½	20	‡Sangers Photo 10p	21	
164	98	Scott. TV 'A' 10p	152	
280	186	SeaCo Inc	266	−11
35	18	‡SelecTV 10p	20	
37	24	TSW 5p	30	
150	79	‡TVS N/Vtg 10p	128xd	
30	22	‡Television Svcs 10p	23½	−½
98	60	Tottenham Hotspur	60	
147	120	Trid'nt TV 'A' 10p	138	+5
168	100	‡21st Century Dist.	100	
197	135	‡Tyne Tees TV 'A' £1	163	
83	53½	Ulster TV N/V 'A'	75	
25½	17	Webb (Jos.) 5p	17	
98	80	[illegible] 5p	89	

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1984 High	Low	Stock	Price	+ or −
76	52	BL 50p	55	+1
66	50	‡Coleman Milne 10p	60	

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australians

Tins

Miscellaneous

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
175	100	‡Colby Res Corp	110		—	—	—
955	675	Cons. Murch. 10c	700		†Q100c	1.4	8.0
£20¼	£15	Eastern Trns. Cns. 50c	£25xd		Q90c	♦	3.3
		For Echo Bay Mines see Canadians					
252	165	Hampton Areas 10p	167	+2	3.75	♦	3.1
205	145	‡Highwood Res	150		—	—	—
£24½	£16	Homestake Mining $1	£17	+¼	Q20c	—	0.9
365	260	Northgate C$1	260	−10	—	—	—
718	520	RTZ	532	+5	18.0	2.5	4.8
£155½	£119	Do. 9½pcLn '95-2000	£119½	+1½	Q9½%	55.4	f8.0
110	55	‡Sabina Inds C$1	60		—	—	—
£11¼	862	‡Tara Exptn $1	852	−50	—	—	—

NOTES

Unless otherwise indicated, prices and net Dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" Distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" Distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 163(4)(a).
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- £ Forecast Dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for Dividends or ranking only for restricted Dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ■ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on Dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed Dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed Dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
			Fin. 13% 97/02	£93¼	+¼
Albany Inv 20p	73		Alliance Gas	65	
Craig & Rose £1	808xd		Arnott	215	−5
Finlay Pkg. 5p	43		CPI Hldgs.	85	
Higsons Brew	83		Carrol Inds.	100xd	
Holt (Jos) 25p	880		Hall (R. & H.)	50	
IoM Stm. £1	117	+3	Heiton Hldgs.	10	
IRISH			Irish Ropes	42	
Exch. 12% 1985	£98⅝		Jacob (W.& R.)	65	
Nat. 9¾% 84/89	£84½xd		TMG	50	
			Unidare	80	

OPTIONS — 3-month call rates

Industrials		Hawker Sidd	38	Vickers	14
Allied-Lyons	15	Hse of Fraser	26	Woolworth Hldg.	50
BOC Grp	27	ICI	42		
BSR	26	'Imps'	12	**Property**	
Babcock	17	ICL	7½	Brit Land	11
Barclays Bank	45	Ladbroke	23	Cap Counties	16
Beecham	32	Legal & Gen.	45	Land Secs.	25
Blue Circle	40	Lex Service	40	MEPC	25
Boots	16	Lloyds Bank	50	Peachey	17
Bowaters	25	'Lofs'	3	Samuel Props.	12
Brit Aerospace	20	Lucas Inds	18	Sterling Guar.	4
BAT	15	'Mams'	14		
Brown (J.)	3	Marks & Spcr.	20	**Oils**	
Burton Ord	22	Midland Bk.	36	Brit. Oil & Min.	9
Cadburys	11	NEI	10	Brit Petroleum	35
Comm Union	16	Nat West Bk	60	Burmah Oil	17
Courtaulds	11	P & O Dfd	25	Charterhall	9
Debenhams	14	Plessey	20	Premier	6
Distillers	22	Racal Elect	18	Shell	55
Dunlop	5	RHM	8	Tricentrol	20
FNFC	6¼	Rank Org Ord	24	Ultramar	60
Gen Accident	42	Reed Intnl	40		
Gen Electric	16	Sears	8	**Mines**	
Glaxo	[illegible]	TI	22	Charter Cons	24
Grand Met	30	Tesco	16	Cons Gold	58
GUS 'A'	55	Thorn EMI	55	Lonrho	12
Guardian	50	Trust Houses	13	Rio T Zinc	60
GKN	20	Turner Newall	20		
Hanson Tst.	13	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 22

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per

FINANCIAL TIMES
Saturday July 14 1984

WOMEN IN THE NEWS

Old ideas with a new face

BY STEWART FLEMING

"HIGH NOON at Gender Gap" was how one political analyst characterised the presidential election battle now looming as a result of Mr Walter Mondale's decision to propose as his democratic vice-presidential running mate a New York Congresswoman, 48-year-old Geraldine Ferraro.

It is a description which slickly sums up one thread of the political rationale behind Mr Mondale's choice—the attempt to exploit the aging President Reagan's perceived weakness among women voters.

The number of firsts which Ms Ferraro can claim to her credit assuming next week's Democratic Party convention as expected, selects the Mondale/Ferraro combination, will not be limited to the fact that she

Geraldine Ferraro

is a woman, one of whose duties will be to try to expose the fragility of Mr Reagan's support among women voters. She is also the first Italian-American ever to be on a major party's ticket.

But perhaps the most important first is that she will be the first vice-presidential candidate consciously selected to rescue a presidential campaign from the torpor and tedium which it was feared was likely to overwhelm Mr Mondale's candidacy when the stolid former vice-President finally come face to face with the charisma and communicating skills which President Reagan commands.

Mr Mondale himself and his campaign aids have implicitly acknowledged this, constantly refering to the excitement which they hope the selection of Ms Ferraro will generate. "This is an exciting choice. I want to build a future," Mr Mondale said in announcing the decision.

Even for the tough and forthright Ms Ferraro it is a pretty tall order. Vice-Presidential candidates are usually chosen to secure a political base, to carry their state or their region as, for example Lyndon Johnson did for John F. Kennedy in 1960, not to run nationally to give a campaign "pizzaz." President Reagan's campaign advisers, when they have finished attacking Ms Ferraro for her inexperience in comparison with Vice President George Bush, will also be trying to figure out how to make sure that she does not successfully command the national stage. She is already showing signs in her confident television appearances and forceful manner, that she may indeed have the capacity to become a national political figure.

In the complex matrix which shapes the process of political coalition building in a large and diverse country like the United States Ms Ferraro can be fitted into more than the relatively youthful feminist category however.

In regional terms her selection suggests that the white protestant mid westerner Mondale, in choosing a white catholic emigrant from a predominantly white working class district of New York, has decided that the foundations of his campaign must be laid amongst traditional, blue collar Democratic voters in the industrial North-east and midwest. Many of these voters turned out for President Reagan in 1980 and were they to do so in such numbers again Mr Mondale would have no chance in November whatsoever.

That of course means that the party will have serious difficulties in the West and hard sledding in the South. It leaves Mr Mondale with the continuing challenge of reconciling the traditional Democrats in the Jewish and black communities who have been divided by positions which Rev Jesse Jackson has taken. Rev Jackson welcomed Ms Ferraro's selection but a question mark still hangs over his commitment to the Mondale candidacy.

MacGregor to renew letter appeal

BY JOHN LLOYD, INDUSTRIAL EDITOR

MR IAN MACGREGOR, the National Coal Board chairman, is to write again to the country's 180,000 mineworkers urging them to accept settlement on the terms put to the National Union of Mineworkers' leaders in the last round of talks between the two sides.

Mr MacGregor's letter will stress that the Board has been prepared to make significant concessions to the union, and that that two sides are not very far apart.

The talks are due to resume on Wednesday, when discussions will restart on the three main issues dividing the two sides. The NUM insists that the closure programme proposed by the Board on March 6 be withdrawn; that five pits *scheduled* for closure be kept open; and that pits should be closed only because of exhaustion or geological difficulties, or when only very small reserves are left.

The board has said it will "re-examine" its closure plans, give further consideration to the five pits, and will deem pits to be exhausted where reserves cannot be "beneficially developed."

Mr Arthur Scargill, the NUM president, underscored the hard line evident in the union's special conference in Sheffield earlier this week when he addressed a rally at Manchester during a "day of action" yesterday in support of the miners in the North West.

He criticised union leaders in the power and steel industries for not offering full support to the miners, and blamed the Government for this week's rises in interest rates.

He told trade unionists, and particularly those in the power and electricity industries: 'When two of my miners died fighting for their right to work, not one of you should have gone to work until this dispute was settled."

Robin Reeves writes from Cardiff: Leaders of the Transport and General Workers Union and National Union of Mineworkers in South Wales issued a joint statement yesterday calling on steel unions to start fresh talks at national level on coal and coke deliveries to BSC's Port Talbot and Llanwern steel works to keep them both secure and in good working order.

The call came as tug boat men serving Swansea and Port Talbot voted to join the dock strike, so increasing the threat to deliveries of imported iron ore to Port Talbot's deep water harbour.

The tug boat men's action will have no immediate impact, since Port Talbot's harbour is closed for the next fortnight for maintenance work. But with registered dockers at Port Talbot already on strike, raw material deliveries to South Wales steel plants could soon dry up, if the docks strike persists.

Docks strike hits Felixstowe and Dover

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE DOCKS STRIKE spread to Felixstowe and Dover yesterday as hopes of successful peace talks rose following agreement on the issue which sparked off the stoppage.

Dockers at the Suffolk container port of Felixstowe, one of the largest ports not covered by the dock labour scheme at the heart of the national strike, were due to stop work from midnight following a mass meeting.

Passenger ferries operated by Townsend Thoresen will continue to operate from the port, but will not carry freight.

Some dockers resented being denied a vote on the strike. Instead, they were instructed to strike by officials of the Transport and General Workers' Union.

In Dover, another port not covered by the scheme, which handles about 1,000 lorries every day, dockers voted to strike from mid-day on Monday—though there will be a dispensation for passenger services.

Freight services will also be affected by a separate dispute, the National Union of Seamen's opposition to the planned privatisation of British Rail's Sealink ferry subsidiary. NUS members banned the handling of all freight on Sealink ships from midnight.

Sealink hoped that ships on its Dover-Ostend and Dover-*Dunkirk runs*, operated by the Belgians and the French respectively, would be unaffected.

Yesterday, however, the executive committee of the National Union of Railwaymen, which represents ramp and docking workers employed by Sealink, voted to instruct members to support the NUS action.

If NUR men refuse to cross picket lines, this could also hit the Isle of Wight ferry, which is manned by NUR members. Mr Jimmy Knapp, NUR general secretary, said the union was "deeply concerned" at the proposals to privatise Sealink.

Talks in London to try to end the strike were going on last night between the TGWU and the National Association of Port Employers. Mr John Connolly, TGWU national docks officer, predicted that the talks would be influenced by the increasing support for the strike.

Hopes of a deal were boosted when the British Steel Corporation reached local agreement on the dispute over the sole use of non-registered dock labour at its Immingham terminal, where the strike started.

The agreement, still to be ratified nationally, follows a finding by the National Dock Labour Board, which oversees the statutory dock labour scheme, that BSC was in breach of the scheme.

Immingham deal agreed, Page 4

Moscow denounces Bonn's air defence deal with U.S.

BY RUPERT CORNWELL IN BONN

THE SOVIET Union has intensified its war of words on West Germany with a sharp attack on the new $2.9bn (£2.2bn) air defence deal by Bonn with Washington. Yesterday it called the agreement "an extra step in the arms race" which damaged the existing military balance in Europe.

The Soviet criticism of Bonn's purchase of Patriot and Roland missiles to defend U.S. and German bases on its soil was put out by the official news agency Tass.

It came barely 24 hours after the unusual publication of an exchange of strongly-worded note between Bonn and Moscow over the decision last month by the Western European Union (WEU) to lift the remaining post-war restrictions on West German production of conventional weapons.

The Soviet memorandum was delivered to Bonn on Tuesday, bleakly warned West Germany not to start producing its own strategic aircraft and long-range missiles, as it is now allowed to do. Similar messages were delivered to other western powers.

These complained that the WEU decision violated agreements between the allies of the second world war, and urged West Germany to bear in mind "all those negative consequences" which would arise if it were to take advantage of the decision.

Bonn swiftly pointed out that it had already given repeated assurances that it would not manufacture any of the weapons in question, and it accused the Soviet Union of hypocrisy.

Its repl observed that West *Germany has given a "clear,* absolute and, in contrast to Soviet behaviour a never-violated pledge to renounce the use of force." The memorandum was an unacceptable interference in its internal affairs and those of its European allies.

Just how exceptional the Moscow move was can be gauged from the fact that the note was the first such since normal relations between the Soviet Union and West Germany had been resumed in 1970.

Allied diplomats in Bonn made various interpretations of the tough Soviet line. One is genuine uncertainty on the part of Moscow over how to react to the moves to reactivate the long-dormant WEU as a way of strengthening the European pillar of Nato.

In his own reply to the Soviet Union, Sir Geoffrey Howe, the British Foreign Secretary, pointed out in his reply to the Soviet Union that the lifting of the last arms restrictions on West Germany was simply the removal of a historical anachronism. In fact, other post-war bans, such as that on the country's building of submarines, have long since been abandoned.

At least as important a motive, diplomats believe, is a Soviet desire to keep up psychological pressure on Bonn, at a time of tension between the two super-powers.

In recent months, Soviet publications have accused West Germany of militarism and a return to Nazism, while the trip to Moscow last month by Herr Hans-Dietrich Genscher, the Foreign Minister, was fruitless.

Moscow wants to play on West German nerves still raw over the controversial deployment of cruise and Pershing millise in the country last autumn. Implicit, also, observers believe, is a threat to upset the improvement in relations between West and East Germany, of which Bonn has high hopes.

Continued from Page 1

Mortgage rise

This means that investors will receive a net return of at least 8.75 per cent (12.5 per cent gross) which compares with 8.75 or 9 per cent gross being paid on bank deposits.

Whether these investment premiums will be increased in the longer term will depend on the level of funds societies manage to attract following this latest rise.

Figures published yesterday show that the net inflow in June totalled £630m. This was substantially better than the May level, but Mr Walden said yesterday, "not high enough" to meet the record mortgage demand.

Last month societies made up the shortfall by running down their liquidity, and by raising £391m in the wholesale market.

Mortgage lending in June reached a record monthly figure of £2.23bn, while new commitments were even higher at £2.45bn.

● Max Wilkinson writes: Sterling was given an easier ride on the foreign exchange markets yesterday in the wake of the sharp rise in UK interest rates. The gilt-edged securities market steadied, with prices gaining up to ½ of a point.

The pound benefited from a general decline in the dollar, but was also stronger against Continental currencies, the trade-weighted index of its value against a basket of currencies rising to 78.2 in London, against 77.7 on Thursday.

Sterling rose by 1.65 cents in London, compared with *Thursday's* London close to $1.3235. It was also stronger against the D-Mark, rising to DM 3.75 in London against DM 3.72 on Thursday.

Overall the dollar lost about ½ per cent of its value, its trade-weighted index slipping from 136.8 on Thursday to 136.1 in London.

Knitwear plants to close

TWO Lincolnshire knitwear factories are to close in September with the loss of 150 jobs, it was announced yesterday.

The British Textile Manufacturing Company, which also has factories in the Derby and Nottingham areas, is to close its factories at Coningsby and Spilsby due to *rising costs and* the need to safeguard jobs elsewhere.

At Coningsby, 90 workers, mostly female, will lose their jobs and a further 60, mostly male, workers will be dismissed at Spilsby. A small number from Spilsby may be offered new jobs at the company's other Lincolnshire factories at Alford.

Continued from Page 1

BA may lose routes

to recommend some de-regulation on domestic flights, the expected recommeodation is that any airline should be free to fly where and when it wishes, at whatever fares it wishes to charge, subject only to a continuing surveillance of financial and safety factors by the authority.

Lord King, chairman of British Airways, in a message to staff yesterday, continued his campaign against any route reallocations.

He said in BA News that many independent airlines seeking BA's routes merely wanted them "to fatten up their balance sheets."

They did not wish to compete. *Substitution was, the name* of their game, a manoeure which was worthless to the customer.

Continued from Page 1

Manufacturing output

The rise in mortgage interest rates to 12½ per cent will reduce the amount of cash available for consumer spending, and so put a further brake on the output of consumer goods manufacturers.

The effect of the miners' strike can be seen clearly in the figures for energy output which was 7½ per cent lower in March to May than the previous three months.

This in turno depressed the output of all the production industries by 2.3 per cent over the same period.

The loss of coal output and the threat of disruption from the dockers' strike are therefore making themselves felt against the background of a stagnating performance by manufacturing industry.

The immediate reaction in Whitehall to yesterday's figures was more of puzzlement than anxiety, however. The depressed performance of manufacturing industry appears inconsistent with recent evidence of rising output and orders from the Confederation of British Industry's surveys of 1,700 companies

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES					
Trea. 12½pc '03-05	£109½	+ ⅞	Aran Energy	38	+ 5
Assoc. Brit. Ports	203	+ 23	Berkeley Explo.	110	+ 23
Assoc. Telecom	45	+ 5	Eglinton Oil & Gas	191	+ 20
Barratt Devpts.	90	+ 4	Petrolex New	76	+ 7
Group Lotus Car	60	+ 4	FS Geduld	£24	+ 1½
Hinton (Amos)	320	+ 15	FALLS		
Martin (Albert)	52	+ 5	Assoc. Dairies	152	− 4
Ocean Transport	109	+ 5	Assoc. Newspapers	425	− 15
Pilkington Bros.	235	+ 10	Birmid Qualcast	67½	− 5
Pyke Hldgs.	250	+ 23	Hawker Siddeley	397	− 10
Rowton Hotels	320	+ 8	ICI	532	− 6
Toye	123	+ 23	Lon. O'seas. Freigh.	5½	− 2½
Trident TV	138	+ 5	Oceonics	120	− 30
Unigroup	34	+ 7	Thorn EMI	463	− 10
Woolworth	423	+ 13	Geevor Tin	173	− 10

WORLDWIDE WEATHER

UK today: Rain at first in West, spreading to all other areas. Generally cool.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	29	84	Cpnhgn.	F	20	68	London	C	19	66	Peking	S	31	88
Algiers	S	29	84	Corfu	S	34	93	L. Ang.†	S	18	64	Perth	S	13	55
Amsdm.	F	18	64	Dallas		—	—	Luxmbg.	F	17	63	Prague	F	25	77
Athens	S	31	88	Dublin	F	16	61	Madrid	S	31	88	Reykjvk.	S	31	88
Bahrain	S	37	99	Dbrvnk.	S	30	86	Majorca	S	31	88	Rome	S	33	81
Barclna.	S	27	81	Ednbgh.	C	19	66	Malaga	S	25	77	Salzbrg.	C	24	75
Belfast	C	15	59	Faro	S	26	79	Malta	S	33	81	S F'cisco†	S	13	55
Belgrd.	S	34	93	Florence	S	33	91	M'chstr.	C	17	67	Singapr.	R	31	88
Berlin	T	21	70	Frankft.	F	21	70	Melbne.	F	10	50	S'tiago		—	—
Biarritz	C	20	68	Geneva	S	26	79	Mx. C.		—	—	Stckhm.	F	20	68
Bmghm.	C	19	66	Gibraltar	S	25	77	Miami†	S	25	77	Strasbg.	C	21	70
Blackpl.	F	16	61	Glasgow	C	15	59	Milan	S	30	86	Sydney	C	15	59
Bombay	F	29	84	G'rnsey	S	18	64	Montrl.†	S	20	68	Tangier	S	25	77
Bordx.	C	21	70	Helsinki	S	19	66	Moscow	S	30	88	Tel Aviv	S	30	86
Boulgn.	F	15	59	H. Kong	S	31	88	Munich	F	23	73	Tenerife	S	25	77
Bristol	F	18	64	Innsbrk.	S	27	81	Nairobi	C	20	68	Tokyo	C	29	84
Brussels	R	17	63	Invrnss.	R	15	59	Nwcstl.	S	19	66	T'ronto†	F	18	64
Budpst.	S	32	90	Istanbul	S	29	84	N Delhi	F	31	88	Tunis	S	35	95
Cairo	S	33	91	Jersey	F	17	63	N York†	S	23	73	Valencia	S	29	84
Cardiff	F	18	64	Jo'burg	S	17	63	Nice	S	25	77	Venice	F	28	82
Cape T.	R	15	59	L. Plms.	S	24	75	Oporto	S	22	72	Vienna	S	30	86
Chicg.†	S	19	66	Lisbon	S	25	77	Oslo	F	21	70	Warsaw	F	25	77
Cologne	C	19	66	Locarno	S	28	82	Paris	C	20	68	Zurich	F	22	72

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Caught in Uncle Sam's shadow

So far as the London equity market was concerned, this week had all the fingerprints of an old-fashioned sterling crisis; perhaps the only missing ingredient was the spectacle of a Chancellor turning back in disarray from Heathrow airport. When the banks shifted their base rates for the second time in a week it was only a matter of time before the building societies decided to leap-frog, and as far as the stock market was concerned 12¼ per cent mortgage rates spelled out the end of the consumer recovery.

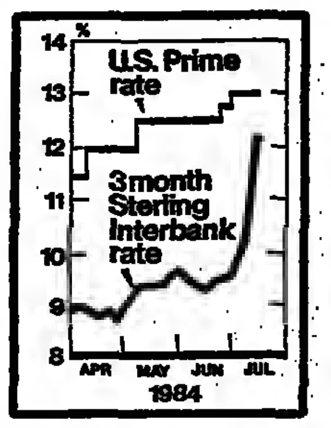
In the circumstances, surrounded by industrial disputes and with the exchange rate brought back under control only at the price of a drastic rise in the cost of credit, the equity market was sober enough in its reactions—although consumer sectors inevitably took a caning. And for gilt-edged investors the movement in base rates, however unwelcome in its effect on the inflation index, at least had the effect of lifting yields to a level where they could think about buying in anticipation of the next decline.

However, any slight sense of relief at the end of the week probably stemmed more from a brightening of the sky over the Federal Reserves building in Washingotn. For the ever-growing overvaluation of the dollar—the other side of a devalued sterling—had in part resulted from rising yields in the New York bond market; and this trend was halted on Thursday and Friday by a whole string of encouraging U.S. statistics. It was beyond even a battle-scarred London market to *ignore* entirely the *sight of* rising bond prices on Wall Street.

Indeed, it looks as if the U.S. economy — largely responsible for this week's monetary turmoil in the first place — may now be coming to the temporary rescue of the UK authorities. Inflation in the U.S. appears to have reached a virtual standstill, thanks to the collapse of world commodity prices, while the latest U.S. money figures were well below most estimates. In consequence, the Fed's policy making committee which meets this week will face little temptation to tighten the monetary controls, even though many U.S. industries are near capacity working and retail sales indicate that the economy is still on a fairly full throttle.

In fact the very recent

Index fell 0.4 to 770.7



monetary slacknes has raised the question whether the Fed has really been tightening the monetary regime at all, except by passively accepting the rise in rates caused by the clash of public and private demand for credit. Simon and Coates has indeed deduced that the Fed has switched away from targetting interest rates, and avoided genuinely tightening the system since March. If this is so, the pressure to be expected from U.S. interest rates may be less severe in the months ahead than it seemed this week.

Midland/Crocker

The boys at the back of the clearers' class who seemed to be having trouble with his tables has now stepped up to the blackboard to show off his sums—and very ingenious they look, too. The problem for Midland Bank *vis-à-vis* the minority shareholders in Crocker was how to buy their 43 per cent stake in the Californian subsidiary without using cash and without exposing the group to the renewed public scrutiny which would have attended an offer of Midland paper. Exchanging Crocker preferred stock for the outstanding ordinary shares neatly solves this conundrum—and since swapping securities of the same company in the U.S. normally incurs no capital gains tax, it at the same time, presents the minority shareholders with an important tax sweetener as *well as a quantum jump in the* yield on their Crocker paper.

Assuming this is enough to win their acceptance of the offer, Midland will be left with 100 per cent voting control of a subsidiary whose external funding costs include preferred stock dividends to set beside bond interest payments and the rest. The group's consolidated balance sheet will be altered not a jot in terms of critical ratios: thet capital base will have minority interests reduced and preferred stock or shareholders' equity increased by equal amounts. Aside from expenses, the reconstruction involves no cash and the preferred dividend payments will be accounted as minority interest, thus having no effect on consolidated pre-tax profits. Would the same could be said of all the Crocker problems.

LOFs

In any business other than shipping, a company in the condition of London and Overseas Freighters (LOFs) would surely have long since drowned. But though it is certainly on the ocean floor, LOFs somehow survives; yesterday there popped to the surface, like a message in a bottle, a polite request to shareholders for more oxygen in the form of an £8.6m rights issue.

The sum requested is rather large in relation to a dreadfully shrunken net asset value of £5.4m, and a £3.1m market capitalisation. Compared to a bottom-line loss in the latest year to March of £12.2m, it looks rather smaller. To be fair, the company evidently has little choice; as the rights issue document makes clear, in the absence of shareholder support the bankers would now propose to confiscate LOFs' diving helmet. Fore shareholders too, the choice is pretty stark—write off their investment now, or take a highly-geared punt on the chances of the world freight market turning up in the next two years.

Though there are signs of such an upturn, it would not do to get caried away; witness the brevity of the recovery in 1980, during which LOFs commissioned the two vessels which are the main cause of its present submersion. That mistake of gearing up financially to pay for an operationally geared investment is not likely to be repeated. But whether or not shareholders get their money back, it seems unlikely that LOFs can now remain a force in th shipping market.